

PROCEEDINGS

NATIONAL ADVISORY BOARD COUNCIL

SPECIAL MEETING

November 18, 1965

Denver, Colorado



UNITED STATES DEPARTMENT OF THE INTERIOR
STEWART L. UDALL, Secretary

BUREAU OF LAND MANAGEMENT
Charles H. Stoddard, Director

HD
241
.A255
1965

BLM Library
Bldg. 50
Denver Federal Center
P.O. Box 25047
Denver, Colorado 80225

ID 88656125

57597189

HD
241
.A255
P965

FOREWORD

As a general rule the proceedings of the National Advisory Board Council are prepared in summary form. Parts of the proceedings reported herein have been summarized. However, most of the presentations and discussion which took place are set forth in detail. Due to the complex nature of and interest in the subject and because of the number and variety of the viewpoints expressed, summarization would tend to detract from the significance of the matters discussed and the conclusions reached.

Those portions of these proceedings which have been included in detail were taken from the verbatim transcript as recorded by the Federal Reporting Service of Aurora, Colorado, under General Services Administration general schedule contract. However, they have been edited to correct grammatical and reportorial error and to delete general announcements, repetitious words and phrases, superfluous remarks, and discussion not germane to the subject considered.

An official copy of the verbatim transcript of these proceedings is on file in the Bureau of Land Management at Washington, D. C., where it may be reviewed and compared by parties in interest.

BLM Library
Bldg. 50
Denver Federal Center
P.O. Box 25047
Denver, Colorado 80225

Section II

Based primarily on initial studies conducted with older forms of the herring gull subspecies and its usual nesting grounds, it became clear that the main threatening factor to young gulls was predation by adult herring gulls at nest sites. It was also found that the main threat to the young gulls was predation by adult herring gulls.

Thus, all treatments used were designed to reduce the threat of predation by adult herring gulls. An experiment involving the placement of simulated nestlings (faked young) was conducted around the natural nesting areas of both the adult gulls (parental) and the young gulls (non-parental). The faked young were made of materials such as plastic or wood, and were placed in the same locations as nests and in various

at approximately equal to proportion distance and to the nest sites of the adults. A 10' diameter circle was drawn around each nest site to represent the area where the young gulls were likely to be found. The faked young were placed in the same locations as nests and in various

CONTENTS

	Page
Opening Session	1
BLM Report, Charles H. Stoddard, Director Bureau of Land Management	1
User Fees, Harry R. Anderson, Assistant Secretary for Public Land Management, Department of the Interior	9
Grazing Fees, Studies and Proposals, Glen Fulcher, Chief, Range Management, Bureau of Land Management	11
Discussion of the Issue, Council members and Bureau staff	16
Statement of Ray Lincoln, Council Member, Idaho	28
Discussion of the Issue, continued	29
Statement of Edward Clyde, Council Member, Utah	38
Afternoon Session	41
Statement of Edward Clyde, continued	41
Discussion of the Issue, resumed	44
Executive Session	70
Certification	71
Call to Meet	Exhibit No. 1
Attendance	Exhibit No. 2
Agenda	Exhibit No. 3
Designation of Cochairman.....	Exhibit No. 4

Analysis of Data on Grazing Fees and
Permitted Use of Fee Range Land,
William Helming, Economist,
American National Cattlemen's Association.....Appendix A

PROCEEDINGS
of the
NATIONAL ADVISORY BOARD COUNCIL
Special Meeting
Denver, Colorado
November 18, 1965

The Secretary of the Interior called the National Advisory Board Council to meet¹/in Denver, Colorado, on November 18, 1965, to consider grazing fees for the fee year beginning March 1, 1966.

Chairman Dan H. Hughes brought the meeting to order at 9 a.m. in the Heart O' Denver Auto Hotel.²/

After a message of welcome and statement of purpose³/Chairman Hughes introduced Charles H. Stoddard, Director, Bureau of Land Management, and designated Cochairman,⁴/who discussed Bureau progress and program developments since the last meeting.

BLM REPORT
Charles H. Stoddard, Director

Thank you, Judge. I always enjoy meeting with the Council. It keeps us in closer touch with the field, from the standpoint of users, people who are interested in the public land. I am sorry that we don't have a chance to meet more often. There isn't too much chance for individual personal communication, but I think we will have a little opportunity to get together in the social hour planned for this evening.

We are going to have Ferry Carpenter come back. What he is going to talk about is anybody's guess, but it will be interesting, I assure you.

While the principal subject of the meeting is the matter of user fees, I want to take a few minutes to report to you on some of the progress and developments that have taken place since our last meeting.

1/ See Exhibit 1 for call to meet.

2/ See Exhibit 2 for list of attendance.

3/ See Exhibit 3 for agenda.

4/ See Exhibit 4 for designation of Cochairman.

We have the new regulations for the Multiple Use Act and the Public Sale Act. They are now public; they were adopted on October 9. These regulations are considerably different from the original proposal that went out to the field and which you saw at your last meeting. The public hearings that were held were very productive. They brought solid ideas for modification. We think we have a fairly practical and workable instrument now. And I might say that all of the comments that we got were very constructive and useful. We could not use all of them--there were so many different ideas and we had to make a choice. We haven't gotten many kickbacks; usually this is a sign of reasonable success. Now we are ready to move this paper tiger into the field to try it out--to see whether the regulations as published will fit the land pattern we have and the problem we have in connection with the land.

I don't know how many of you have seen this hunting and fishing map. Here is one of Wyoming--a lot of people don't realize the kind of a problem that we have in administering these lands. We have got some lands that are solid block, some that are intermingled, some that are highly scattered, some of these checkerboard lands; this is different from any other public administering agency.

The reason we want to get the map out, there has been a lot of misunderstanding as to who built the fence where and who cuts where, and so on. This, at least, gives some better public understanding of our administrative problem.

When we do our field testing of the program--I will get into this in a minute--it will be pretty much related to the land pattern. The regulation contains four major sections, a general policy statement for all land administered by the Bureau, the criteria that we use for classifying land, procedure that we have for classifying of the land, procedure that we have for classifying the land for sales or for multiple use. The policies or criteria are spelled out so that the public will know the rules that govern BLM actions.

We plan a very extensive system of public participation for the decision-making process. The Bureau is not going to make the decisions with respect to this classification until we go back to the field and get advice from the people who are the users, who know the history of the land. Neither the law nor the general policy statement gives special priority to any single use or mode or method of disposition. The future of the public land now depends on the kind of classification and planning and management. that evolves out of the process we will be going through.

The first major step has been to get maps of this kind on a local level by districts for presentation to the people at the local level so that they

have a solid basis of knowing where the public lands are, how they are distributed. What we have done is try to pull together whatever information we can on land use and get a rough analysis--we are calling it initial analysis--of how these lands divide into four different ways. Those that are solid blocks, we call Type 1. Fairly solid blocks like this one in the Big Horn Basin and these down here in southern Wyoming, those areas that we are going to take into the local level and say, "Now, look, to us on the basis of our experience in multiple use management, it seems to fit there."

Type 2 will be the scattered land pattern. There we are not sure just what kind of management needs to be done. We want to get some expressions. There is cooperative management with adjacent users. There is exchange to break it up. There is disposal.

Then the great fragmented land pattern which is further out is another group of land that we need to get a decision on.

Then there is a fourth group, which is the land that we have the joint administration with another agency, where lands have been withdrawn for a purpose like reclamation or game range or recreation area. We continue to have some management responsibility for the multiple uses. This is generally how the process will break down and how we will eventually present it at the local level.

We are going to test this out in one area in each State. We have been doing some advance work at the local level where the counties have an interest, where they are ready to work with us helping to make the decision, because of the private land, the State land, and the other lands that are involved, all are going to influence the way in which the recommendations will come out. And these are counties we have some previous working relationship with on land use planning; they have a sort of a running start.

We want to test these procedures out with them before we go further. There are also pressures for disposition and other pressures--management pressures--which we have to go along with on our regular program while we are making this conversion. So we are trying to use some of the basic principles involved; that is, where pressure comes up for disposition, exchange, transfer, use the same principles even before we get into the final classification. Because there are the new laws enacted which say they will not supersede or affect the operation of existing land laws, we have the problem of going along administering existing land law while we are trying to get on with a new one.

The relationship, essentially, is this. We have an experimental program underway. We will report to you quite regularly what sort of reaction we get at the local level. We feel that this will be useful to them, and I think they do, too, although it is too early to tell. But we have the law and we are committed to administering it.

We have plans now, after the State Directors have exposed this general initial analysis to the State advisory board for the district managers to take this to the local level whenever they have meetings with the district advisory boards. But we also want to get the county boards, the Soil Conservation Districts, agricultural people, who are interested in land and land use, timber people, and so on, into this decision-making process, so that they understand the process before they get to the actual planning.

We want to bring other counties up to the level of these we show on the map, so they can begin to move in this direction. This is just applying some of the principles of land use that have been tried out for 30 or 40 years--applying them and using them somewhat to help get the public domain situation resolved.

Now, on the land that will be coming out of this, as recommended for multiple use and recommended for retention--and I say "recommended for retention," because after all, we have got to recognize that the law expires on June 30, 1969, so that what actually comes out are recommendations--we are going to get a good idea of what the impact of long-term multiple use will be during the period on those lands which are recommended for multiple use management retention.

Many of these lands are multiple use: a number of people have an interest, the regular and long-term users, the livestock users, the oil and gas people, the timber people, the recreationists, the rock hounds, and the hunters. Multiple use, in effect, means a lot more people are interested in the land and the Bureau of Land Management is in the middle, as the Judge indicated this morning, in trying to find ways of reconciling or dovetailing these various interests and uses.

To give you a couple of examples, recently in Wyoming--you read the headlines--we have fencing problems where there is a real conflict between the wildlife people and the livestock people, particularly the sheep people. The Bureau is caught right square straddled over that fence, and we are trying to get a system worked out whereby the antelope can pass through--this is a problem--and, at the same time, make it possible for livestock operators to continue in business. This is partly a technical problem, partly a public relations problem.

We have other problems. For example, the seismograph crews--last March at our meeting we passed a resolution supporting the Bureau's effort to get a permit required by the seismographic crews. We found they tended to criss-cross over the land, tended to disturb it where they do their exploration work. We would like to know just where they are and pin the responsibility on those who are out there, so that if there were damages done that this could be repaired.

We are usually stuck with the bill, and the support of the Council has been very helpful. We have had a larger than expected response to the publication of our proposed regulations, and we are sitting down with the oil and gas industry in December to see if we can work out a practical arrangement so that it has the minimum red tape and, at the same time, give the operators latitude. We have some center of responsibility. This is important to those livestock men who are familiar with the issue.

Other problems--for instance, with this natural beauty push of the administration--and it is a very strong one, it has the strong support of the American people--it means where are we going to run the power lines and put up these billboards, are we going to clutter up the landscape, or are we going to have some system on it? So we have to really think instead of just giving a permit to a power company to run a power line through the district between two points. Maybe with a little planning they can either bury it or put it around somewhere where it won't interfere with not just the scenery, but also other uses on the land.

All of this is difficult for us, because we are trying to do these things with the same manpower we have always had. We have to do the same job with more responsibility. We are not afraid of the responsibility, but we are concerned with overloading our people beyond the point of things that can be taken care of. We have to figure out what the appropriate mixtures of uses on these public lands are to be and what kind of uses are compatible with one another. We feel that the designation of those areas--whether there is general local concensus for retention--is going to settle issues that have been bothering the users for years.

For instance, livestock people have been concerned over the manner of land tenure and this has been given a lot of consideration. If this matter is resolved so that this land will be in multiple use management and retained for management, both the livestock users, as well as the other users, and the wildlife people, are interested. Recreational people are interested. They can look forward to the use of that land and sharing it over the years ahead, and the threat of having it disposed of and having their enterprises and their activities broken up is removed.

I think this is a byproduct of our program.

Well, there are a number of other things we could go into in some detail, reporting to you. But I might say that essentially what we are also testing out in these areas where we are designating more multiple use, we are testing out development of some management plans for these lands so that we try to--when we plan on putting in a fence here, that fence is thought of in what terms of impact it may have on other users, on access, and so on, that we don't have this single use idea, but we try to think in terms of the various uses.

Defense Secretary McNamara has made quite a record for himself for getting on top of the Defense Department. His techniques have captivated a lot of people in government, in that this is a way of running the Federal agencies in a more business-like manner. The term that is used is planning, programming, budgeting. In effect, what it means is, for every dollar of money that we put into our public land program, we have got to be able to justify what is the output, what is the service, or what is the product it has obtained for the American people.

I mention this because it will have an impact on our program.

We have also had changes as a result of the pressure for economy and efficiency in government. These have been changes in terms of where do we --can we--make consolidations, where can we make improvements in management in restructuring our organization. These things are tough, and somebody may get hurt by it, but it is not deliberate, I can assure you.

Again, we are in the middle, because we have certain forces that are working from one side and certain forces from the other side, and we have been trying over the last eight or ten months to structure our organization in the Bureau so that it will be a modern structure with as little fat on it as possible.

This has required some consolidations, which, I am well aware, have not always been popular, either inside or outside the Bureau, and some of these are still being considered. We are trying to work them out at the local level and get the expression of the local advisory boards and the State advisory boards.

Of course, we have been getting some expressions that have been rather unfavorable on some things, and where we get a real reason, we make some changes. But what have we done? In addition to a few consolidations, we have, for instance, closed the land office in Spokane, Washington. We got a lot of heat over that, but why did we close it? There are only 250,000 acres of public domain in the State of Washington, so we had a land office

that wasn't doing a land office business. You can't justify a land office that isn't doing a land office business. The Chamber of Commerce and the miners and the loggers and about everybody else thought we were a bunch of so-and-sos. But we are providing service out of a district office which is located there--the service that they have always had for the land.

Now for a few other matters which I am not going into in detail. You were sent copies of the May 14 statement that I gave in Oregon. I want you to know that was reviewed by the Secretary of the Interior and Chairman Aspinall, as well as other people--this issue that blew up, up there was a matter of very unfortunate development. There were overstatements and there were misrepresentations. I regret that it developed that way. We have nothing to hide, in spite of the statements that were made, and I suspect that probably we will not have any more--and I hope we don't have any more--developments from this situation.

We have one final thing to mention. In almost every State we have some kind of a problem situation, but most of the people have been helping us to resolve them. In Montana we have had a tough one with the State grazing districts--here we have the Federal and the State grazing districts, and no machinery for bringing the business of one before the other. We are now in the process of working this out. Gene Etchart has been helpful in this. I am sure that there are many things that have developed--have happened at your local level--where you fellows have worked out solutions to tough problems, and we never hear of them. To you unsung heroes, believe me, I express my appreciation.

Bruce Anderson has helped with the oil and gas industry on the seismographic matter. I don't expect miracles from any of you, but I want you to know that we appreciate a constructive problem-solving approach, because we do have these problems develop from time to time, and, in the local area, this help is greatly appreciated.

Well, the final thing that I wanted to get into some is the carry-over from the last meeting. You took action on a resolution dealing with the whole question of user fees. We brought out at that time that there was a government-wide study of user fees underway--the process of reviewing fees on grazing land, general use of land resources, oil and gas and mineral leasing, power, recreation, timber, inland waterways--they have been going across the board. This whole issue has been brought before all of us in various administrative agencies, depending on where the responsibility falls.

Briefly, the guidelines that have been laid down in this government-wide study are that full cost or fair market value is a yardstick, and that this may be less than full market value where--here a few points that they

bring--the full payment by a State or local government would not be in the interest of the program; where the user is engaged in semi-public, nonprofit-making activity, designed for the health, safety and welfare; where the incremental cost of collecting the charge would be unduly large in relation to the return to be received.

Then, in addition, you suggested last spring that some other factors be taken into consideration--and these are being taken into consideration--the effect upon the economy of the local and regional communities; the economic health of an industry; the nation's need for development of the resource; the private investment dependent upon the resource and the private capital resulting in public benefits; the need for independent studies in depth by separate industries, such to be made by the several industries represented on the Council. And at the time the Secretary of the Interior wrote his report, values involved would transcend monetary return to the government, with emphasis on intrinsic value to you in other than financial returns--investment in real estate, livestock, and due to reasons other than speculation of normal industry profits. All this gives a distorted picture of the true value of a livestock unit.

We have added some criteria to those which you suggested. This is a fact that we do have--we are talking about multiple use--these other uses, joint costs and joint product. A good example is a piece of land which produces wildlife, it has the watershed value, it has recreational values, it produces livestock forage, it may have some minerals underground. Well, the charge--the administrative cost out of the district office--made solely against one product or another is, of course, unrealistic. We are not sophisticated enough in our accounting yet to be able to distribute these across the board proportionately to the various fees, but we are gaining recognition that one user or the other should not be stuck with the whole bill.

This is part of what we need to consider in the whole matter of user fees.

We have a specific issue to discuss today, and this is the matter of user fees that I mentioned. What you took action on last spring was a longer study, a study which would involve all government agencies, and all products which are put up for public or private use. But we do have an interim request on the part of the government to come to grips with the question of grazing fees and I think that Assistant Secretary Anderson, has some further words with relation to the specifics on this. Harry, would you talk to the group now?

USER FEES

Harry R. Anderson, Assistant Secretary
for Public Land Management

Thank you, Chuck. I am always aware of the time and that it is valuable, and the older I get, it seems to increase in value.

Something like a story that a cowboy attending church with a new minister found himself the lone person in church. The minister, being new, went on for approximately an hour and a half. After the sermon was over, the cowboy was leaving, and the minister asked him, "How did you like the sermon?" "Well," he says, "it was fine, but if I were going to feed only one animal I wouldn't bring out a whole load of hay."

So, I feel somewhat the same way--no use throwing out more than necessary.

The Judge indicated we have to work together. We have many joint problems.

The board members are all appointed by the Secretary as advisors to him at the national level. He has asked me to express his appreciation of your help. We appreciate your taking the time and we anticipate assistance from you in the future. As for myself, I have only been on board since last August. This is my first opportunity to attend a Council meeting and to meet with you. This is the first time that I have met many of you personally. I have met a number of you at other meetings. You members bring a vast amount of knowledge and experience that's very helpful to the Department of the Interior and the government operation. I said I am comparatively new. However, I do feel that I come with a certain amount of background in natural resources and governmental operations, as well as a ranching background. Therefore, I think I appreciate many of the problems and activities which you are involved with.

I might as well get down to the meat of the matter. You were advised by the Secretary, Mr. Udall, of the purpose of this meeting--to discuss grazing fees. The general background is that the Bureau of the Budget has called for a review of all user fees, and this includes grazing fees. I am sure that nobody appreciates a fee increase or tax increase of any kind; these matters are not greeted with enthusiasm.

I also recognize that arguments can be made stressing that, from the standpoint of the return to the user, a fee may be a hardship, an increase may be a hardship. We must, however, also consider the subject or viewpoint of a fair return to the government for the use of the public land. The Bureau of the Budget, being the fiscal arm of the administration has ordered review and appraisal of all user fees. We were reminded that

grazing fees on BLM land are less than the rate charged, for instance, on the Forest Service land, below those on Indian land, the LU land, and on state-owned land, not to mention money received on leases involving private lands.

Also, that approximately three times the amount collected from fees are expended on the public land. Further, that much of these benefits are expenditures on grazing uses.

Now, I am not saying that revenue from grazing fees and expenditures must offset one another. As you all recognize, there are other users, and there is the protection of the watersheds, that must be recognized, which has broad significance and interest.

There are many ramifications, many factors which make comparisons difficult. The Secretary was under heavy pressure to do something about another increase in 1965, the year we are in, past. However, he was successful in avoiding this, stressing that a fee increase had recently been experienced and that another fee increase within too short a time was not the best approach. The administration's current objective is to bring BLM fees into line with the average fees charged by the United States Forest Service. This will bring BLM land up to the next lowest average for fees charged by the government on public land.

The question is, how do we accomplish this, how do we meet this problem? Now, it could be by a flat across-the-board increase, or by fees reflecting, for example--I stress "for example"--no increase on lesser carrying capacity ranges, and an increase on the better land. What we face, however, is something approaching an average fee of the Forest Service which, I understand, is approximately 45 cents.

We are here asking your advice as to how to work toward this objective in the manner that will be equitable to all parties concerned. Bureau of Land Management experts are here; they have given the subject much thought and study. There are several proposals they would like to present for your consideration, and, as advisers to the Secretary, we would like your appraisal and study of the proposals. We would welcome all suggestions--any suggestions you have--so we can best know how to deal with this problem.

Thank you.

GRAZING FEES--STUDIES AND PROPOSAL

A presentation and discussion

Glen Fulcher, Chief
Range Management Staff

Change comes rather fast in the Bureau of Land Management. When I first accepted the position to go back to Washington from the University of Nevada, I remember the first thing Pete Marble said to me, "I suppose you are going back to work on grazing fees." At that time I could very truthfully say, no, the grazing fee issue was in the program development group, and Dr. Lloyd was handling the grazing fees

Well, unfortunately for the Bureau, Dr. Lloyd has left us and joined the Forest Service, and as a result, the grazing fee issue has migrated back to the Range Staff. So, here I am highly involved in grazing fees

I would like to indicate that, as far as I am concerned, grazing fees are a separate issue from range management which should be primarily concerned with good range management. But grazing fees are one of those necessary evils that we occasionally have to consider

Before I start, I would like to compliment Bill McMillan on his good judgment on an employee he recently hired. He hired Bill Helming from the University of Nevada on the national staff. I can't say anything bad about Bill. He was one of my former students, one of the best students I had the pleasure of teaching while I was at the University. I think you have hired a very competent, capable and levelheaded person.

Bill, I would like you to stand up so they can all know you

Well, like Assistant Secretary Anderson said, we might as well get down to the point and layout the issues so we can get on with the discussion. We are under some kind of a directive to move toward a grazing fee comparable to the level of the Forest Service. I am going to have to go to the blackboard.

First, like most of you, I think of the BLM grazing fee as being 30 cents. I think most of you know how that is computed. Actually, if we take the average BLM fee, it is higher because of the LU land and military reservations which have higher fees. And so if we average the Bureau fee it comes out 31.85 cents, or rounded off, we have a 32-cent average for the Bureau at the present time.

Now let's turn to the Forest Service fee. I don't know how many of you know how the Forest Service computes its fee, but prior to 1931 they made

a rather intensive study and evaluation and came up with a variable number of bases for fees; the average for cattle in 1931 was 14.5 cents per cow month.

Unlike the Bureau of Land Management, the Forest Service charges a different fee for sheep than they do for cattle. So their average in 1931 was 4.5 cents per sheep month.

On the other hand, they considered an AUM the same as we do. It takes 5 sheep months to make 1 AUM, or 1 cow month to make 1 AUM.

Their present pricing structure is based on the ratio of the price of cattle and the price of sheep in 1931 to the previous year's price. For the pricing structure for 1965, their fee was 14.5 cents times a ratio of 290 percent. The fee for 1964 was 290 percent of what it was in 1931. The average fee in 1964 per cow month was 42 cents. These are rounded off. For sheep the ratio was 4.5 cents times a price ratio of 215 percent which came out 48.75 cents.

I didn't round off the sheep fee and I will show you why later. This then is the fee structure. If you take a simple average of these two, you get a 45 cent fee for this past year.

Now, let's take a look at what we expect the Forest Service fee to be next year. This is based on preliminary data now available on the price of cattle and lamb.

COUNCIL MEMBER: ^{5/} I am just wondering, on those sheep, how do you come out with that?

DR. FULCHER: I forgot to put in times 5. The figure I have shown is per sheep month. It comes out 48.75. It takes 5 sheep months to equal 1 AUM.

Based on the preliminary data that we have through 10 months of prices for cattle and sheep, the expected price for next year on the Forest Service is 14.5 times 295 percent, or 43 cents. For sheep it is 4.5 times 239 percent, times 5, or 53.75 cents, for an average fee for both sheep and cattle of 48 cents per AUM.

In developing a fee that we felt was a reasonable comparison with the Forest Service, we took into consideration that in the Bureau we have

5/ Since many Council members, in speaking, did not identify themselves, the reporter was unable to get their names. Where a Council member could be identified, his last name is given.

a flat fee for both sheep and cattle. We also needed to know the Forest Service use pattern to determine what percent of their use was beef compared to sheep. We have an estimate from the Forest Service, the Washington Office, that about 18 percent of their use was sheep and 82 percent was cattle.

To come up with a reasonable fee, we took the average weighted use of the two classes of livestock. This produced an average fee as follows: Beef, 82 percent times figure of 43 cents, I took the actual figure, which was 42.78 cents, equals 35.079 cents. Sheep, 18 percent times 53.75 cents, equals 9.675 cents. We added them together and we came out with 44.754 cents rounded off to 45 cents.

COUNCIL MEMBER: Could I ask a question? On the sheep, the Forest Service has got about 50 percent of those sheep above the timberline and this area couldn't be grazed by anything else. Also, for a very short period, mostly 2 or 3 months, so the figures are a little out of balance compared with cattle, and I think our figures, as far as we are concerned, with the exception of one spot in Colorado, all of our BLM grazing is below the timberline.

DR. FULCHER: Well, there are a lot of ways we could have worked this.

COUNCIL MEMBER: I realize that, but I thought the sheep are somewhat out of balance.

DR. FULCHER: Actually, in taking just the average fee of 14.5 for cattle and 4.5 for sheep that they had in 1931, we were using simple averages, not weighted averages. This produced an average fee of 45 cents. Had we weighted the average it would have been higher than that.

We think that since we approached the fee on a nonweighted basis in the Bureau, this was a fair way to compute the fee.

It looks like the fee is going to be 45 cents and the Bureau's present fee is 32 cents. So we are shooting for a 13-cent increase--the public domain fee for 1966, if we come up to a level of the Forest Service, will be about 43 cents.

COUNCIL MEMBER: In your analysis, did you make any comparison on the average carrying capacity of BLM land in relation to the carrying capacity for the Forest Service?

DR. FULCHER: No, we did not, we merely used the average of their fees. We get into these kinds of arguments later on. I think the best thing for us to do is to go ahead and present the proposals we have considered, and then open up the discussion later.

Well, as Secretary Anderson has told you, we could approach the fee from a flat rate increase, which means that we would merely raise the fee to 43 cents and everybody would pay 43 cents per AUM. Our fees on the LU land and some of the other areas under BLM administration would raise proportionately with the Forest Service fee next year. Or, we could take a look at some kind of a variable fee which gets around to the quality of forage involved and what the rancher can expect in the way of gain for the animals. On that basis we have given considerable thought to a variable fee. In doing so we wanted a fee that wouldn't be an administrative monstrosity for the Bureau and wouldn't cause neighboring ranchers to fight, which I think would happen if you tried to come up with a fee that varied within a district.

Any time you divide the fee to have a variable fee within the district, you are going to run into a lot of administrative problems. But, of course, we are here to have discussions and we are open to any recommendations that you have. Since we gave quite a bit of thought to this, we would like to show some of the things we considered. We are not saying they are good, we are not saying they are bad. We would like your consideration.

I would like to put on the board--I think I can paste on this wall--some maps to give you an idea of the thoughts which we have in mind.

We decided to take a look at the western United States from some kind of regional point of view, that might lend itself to a regional fee. Factors taken into consideration were reliability of climate and type of vegetative cover. When you get into such large areas it is difficult but we felt reliability of climate and kinds of vegetation were important such as the brush-grass type in the yellow area, labeled Area 1, the salt desert shrub type in red, Area 2, and the sonoran desert type in blue, Area 3. In developing these areas we were very careful to stay within districts, With the exception of the Phoenix District, we didn't break districts into more than one type.

We calculated the percent of licensed use is in each of these areas. We found 6 percent in the blue, 36 percent in the red, and 58 percent in the yellow.

We are offering for your consideration the possibility of a variable fee based on this type of area breakdown. You could decide on a fee that would average out between the three areas at about 43 cents. This is one proposal.

Before we get into a discussion I would like to show you one more proposal. I am sure even our State Directors will find this map somewhat interesting. We propose to take a look at the possibility of a variable fee by district, based on actual use, stocking rates.

Now, I don't want to leave the impression that this is what we believe is a true carrying capacity of these areas. What we did was take a look over the past few years at what has been the actual licensed use of the areas. In doing so, we took out the nonuse. There is higher recognized use than we have shown, but we listed only what we have actually allowed on licenses. The map looks rather strange. The blue area has a licensed range of from 4 to 7 acres per AUM. The red area is between 8 and 12 AUMs. The green area, 13 to 18 acres per AUM, and the yellow area is 19 acres and above.

I think the highest stocking rate was Lewiston, with a 4.2 acre per AUM, and the lowest was the Las Vegas District with 63.5 acres per AUM.

The blue area comprises 21 percent of our licensed use. The red area 49 percent, the green area 11 percent, and the yellow area 19 percent.

CHAIRMAN HUGHES: Would you state where the States run on that?

DR. FULCHER: Okay, I don't know how well you can see this but here is Montana. We left out the section 15 areas for example, the Casper District. We used only the section 3 grazing districts. Montana, as would be expected, has the bulk of its grazing in the high carrying capacity blue area, with the Dillon District falling into the red.

As we move over into Idaho, we find it is in the red, except Burley, which is in the blue. When we get into Oregon we start scratching our heads a bit and wondering what is fowled up with our management, our adjustment, or something. We find Baker at 5 acres per AUM and Lakeview at 23.4. Also, Susanville is 5.3 and Winnemucca, which is adjacent, is 23 acres and Lakeview, right above, is 23.4. This makes us wonder about California.

Burns and Vale fall in the red, and Prineville in the green. As we move down into Nevada, with the exception of the part of Nevada that lies in the Susanville District, which is in the blue, Nevada falls in the very lowest carrying capacity of yellow, with the exception of Elko, which has a stocking rate of 10 acres per AUM.

As we move into Utah, we find that the bulk of the northern part is in the green. In the northern part, in the Vernal District, we run into a red with a 10.7, and the southern part of Utah all goes into the yellow or the lower carrying capacity.

We drop down into Arizona, we find the strip district does stay in the green. The bulk of the rest of it is yellow, with the exception of Safford District, which is 7.7 acres per AUM.

Let's leave New Mexico until last. We go over to Wyoming, and you can see that it is all in the red. We go to Colorado, and the northern part of Colorado is in the red, and the southern part in the green. This seems somewhat logical and reasonable, from our experience.

But then we fall apart. When we get into New Mexico, we have stocking rates in Farmington of 7.1, Socorro 6.8, Roswell 6.2, Albuquerque 8 and Las Cruces 8.3. We certainly don't believe the range is this good, but this has been our licensing level.

As far as I am concerned, that about presents the things we have reviewed and discussed and at this point we would like to open it up for discussion from the floor.

CHAIRMAN HUGHES: Thank you. I would suggest that at least, at the start, our questioning to what facts were taken into consideration be limited to that, and not too much to the argumentative side. In connection with the Forest--I speak only for the area I am acquainted with--Colorado, and Utah is the same. In addition to putting a cow on, they put the calf on. In addition to putting the ewe on, they put the lamb on. Your BLM land, there is nothing but the cow or the ewe. Is that taken into consideration?

DR. FULCHER: Your particular situation surprises me because in the Bureau if the calf or lamb is under 6 months of age we allow it on with its mother for the 30 cents fee. I think it is the same, exactly the same agreement, as the Forest Service.

Do we have a Forest Service representative here? I think they have the same basis.

COUNCIL MEMBER: That's correct.

COUNCIL MEMBER: With the exception of New Mexico, which is similar to the Forest Service except you don't have timber grazing which is as good or better than the Forest Service, but with that exception of that rather small amount, I can't call to mind a single place where the ewe goes on with the lamb or the calf goes on with the cow at its side.

DR. FULCHER: I think throughout the Bureau it is common practice. We don't charge for the lambs or the calves under 6 months of age. That's our policy.

CHAIRMAN HUGHES: You don't have calves or lambs in the area I am talking about.

DR. FULCHER: I would say that is probably the exception, rather than the rule in the Bureau. I would like to raise one other question. We quite often hear that the Forest Service grazing is better than the BLM grazing. Now, in defense of that argument, I think you have to look at the time that you are using the range. If we are talking about a same time period where you have either/or, the opportunity to be on the Forest Service or the Bureau of Land Management, I think there is no question that the Forest Service land is better, is more lush, and it is a better bargain as to carrying capacity, and it would be worth more.

But let's look at when you use the BLM land, the months you use it. It is in the spring when you can't get on the Forest, and from my experience one of the most limiting factors in a balanced pasture operation is spring range. At the time that you use spring range it is as valuable or more valuable than any other range you use. Since it is limited, the only alternative is usually feeding hay. On the other hand, we say, a lot of the BLM use is in the winter, and these animals don't gain in the wintertime. But you have to remember at that time they can't be on the forest in most cases. Sometimes in the southwest they can. What's the other alternative? There is very little private land suitable for winter range, so usually in lieu of being on the winter range, you have to winter feed, and you all know that this is a high-cost operation. When most range operations do winter feed they do so to maintain the animal. Livestock may be losing a little weight on BLM winter range, but even so this use is a very valuable part of your operation, and I think as valuable as any other part.

COUNCIL MEMBER: In analyzing the 45-cent Forest Service fee, is there any portion of that that is analogous to our 25 percent range improvement fee which goes back to the user or district?

DR. FULCHER: I am going to defer to the Forest Service representative, Mr. Burnett--I think you all know him.

MR. BURNETT: There is no deduction as such from the fee. At the moment Forest Service fees go into the Treasury, and they come back as an allotment from the Congress. We do get grazing fees back, but range improvement money comes as a direct appropriation.

COUNCIL MEMBER: Do you have easily available fee data on other agencies? I think this might be very useful if you did have actual information, just to get a complete look at the picture.

DR. FULCHER: Some of the land that is the most comparable would be Indian reservation. Let me check for sure, if I have the right one here. Non-Indian use--this is what they charge the non-Indian user on reservation. We find, of course, a very wide variation, but on the average from reservations in South Dakota, North Dakota, Montana, Arizona, Idaho, Nevada, Washington and Utah, where the range is quite comparable to BLM range, the average fee is \$1.67.

COUNCIL MEMBER: I think it might be well to point out, these are the results of competitive bidding.

DR. FULCHER: That's right, and we find a wide variation. I would like to give you the range. The low was \$1.10 and the high was \$8.54. I feel that the \$8.54 must have come from a grudge fight someplace.

COUNCIL MEMBER: Doctor, in New Mexico water is like soda pop in hell, it is quite popular, and as a rule of thumb, we use one animal unit per inch of rainfall per section of land. I was wondering if you had made a study on that basis, and whether it works out very well for us?

DR. FULCHER: Well, not on that particular basis, but we did, in setting up our grazing fee map, take into consideration reliability of rainfall. In your area we thought that because of the non-reliability of rainfall, non-reliable overtime, that in a variable fee based on geographic regions the fee would be lower in the southwest than in the northern areas.

COUNCIL MEMBER: I think it would be appropriate at this time, in regard to Dr. Rostvold's question on the Indian leases, it was brought out they are on a competitive basis and bidders are not required to have base land or the other requirements needed for BLM permits. So certainly that should be a consideration.

COUNCIL MEMBER: I would be interested in a comparable situation. Do you have any others, Glen?

DR. FULCHER: We have private in some States, I think on our private we came out at about \$1.85

COUNCIL MEMBER: Did you compare BLM with State lands? What did you come up with?

DR. FULCHER: It's a little less than that, but very comparable.

COUNCIL MEMBER: I think that point is germane. Users of State land are not required to have base land.

COUNCIL MEMBER: In answer to the question about the Indian lands, I think you will also have to consider that, for instance, I live in an area in southern Oregon where there has been Indian reservation land which is now in the Forest Service, a new Forest created, and the grazing fee is \$1.50. It was based somewhat on what the private rental of this land had been before it was placed in the Forest. However, you will have to consider that for 75 years or something like that, this land has been under the Department of the Interior and it has been managed properly, it has never been injured and probably has never been used to its fullest potential. It is better range. I would just as soon give \$1.50 for this as 30 cents for BLM land.

DR. FULCHER: Of course, on the other hand, we have quite a few areas that are in excellent condition for which we get only 30 cents.

CHAIRMAN HUGHES: Let me call your attention to another factor. I assume you are familiar with this. In western Colorado and Utah there are many --not many, there are several years that go along when the range is not usable because of lack of rainfall. Last year and the year before, just in Utah, they couldn't go on the range, and the same goes, of course, in southwestern Colorado. Whereas, on the Forest, you can go year after year. Is that situation taken into consideration?

DR. FULCHER: It is taken into consideration. We do feel that because of this unreliability of your water in these particular areas, that if you go to a variable fee, these would be the areas where you would want a lower fee than northern areas where we have more reliable rainfall.

CHAIRMAN HUGHES: I was just wondering, though, when you say that we should pay a rate comparable to the Forest rate, if you took that fact into consideration.

DR. FULCHER: Judge, only to the extent that we do feel that as our rates move up and the variations in quality of feed and the variations of reliability of moisture become important factors, that you would want to take into consideration these things when you start talking about a variable fee. And the point that he brings up, I think, is very germane to this issue, that these people quite often aren't able to use the range because it didn't rain for two or three years in a row. And where you have this risk or this unreliability of tenure and use of the land, a flat fee is not so equitable. Of course, I think this risk lowers the value of the grazing privilege as compared to some other area.

COUNCIL MEMBER: In the event that variable fees were adopted, at an average of 45 or 43 cents, what would the fee be on the higher portion of the map, the left, the yellow for example? Also, the blue and the red?

DR FULCHER: Of course, we didn't put this in because we didn't think we should decide what the fees should be as far as variations. Do you want a wide variation, or do you want a small variation? Do you want to start with 30 cents in the lowest area or do you want to go up a little bit in all areas.

COUNCIL MEMBER: We don't want to go up any place.

DR. FULCHER: I sure stuck my neck out on that one. Okay, let's say if the fee goes up to an average of 43 cents, and I think that is the one we need to talk about--

COUNCIL MEMBER: I am assuming you are talking about the 45-cent fee?

DR. FULCHER: We are talking about a 43-cent fee.

COUNCIL MEMBER: 43, then, according to your studies and figures, what would the fee in the yellow area be, and what would it be in the blue and red?

DR. FULCHER: I gave you the percentages of licensed use in each area for that purpose to provide a basis for deciding fees. Actually, only 6 percent of the use is in this Sonoran area, so whatever fee selected for this area isn't going to greatly affect the average.

The bulk of our use, or 58 percent, is in the yellow. This area would have a higher fee probably around 45 cents, and maybe as high as 47 or 48 cents. The red area would depend on the starting level in the Sonora Desert or blue area. If you start with 30 cents, the red area would probably be around 38 cents. We could work it out. That's why I gave you the percentages. We wanted to leave this open to you.

COUNCIL MEMBER: Actually, it would be just not much of a choice. I mean, the variations would be very little.

DR. FULCHER: Well, possibly not. If you said 30 cents in the southwest compared to 45 in the northwest, that's quite a difference, I would say.

COUNCIL MEMBER: Doctor, I am wondering about the same thing. Referring to the map on the right, the largest percentage is 49 percent in the red and that is not the better land in the Bureau. Using these weighted figures, they would be penalized because they are the greatest percentage of use and more money has to be forthcoming from them.

DR. FULCHER: My reasoning wouldn't go that way. Because they comprise the bulk of the use and are on next to the highest carrying capacity land they would have to be somewhere near the average or right close to 43 cents, maybe 41-42. The blue area would be higher. The yellow and green areas would be proportionately lower.

CHAIRMAN HUGHES: One more question, Doctor. A number of users have put their own money into improvements in connection with their allotment which have increased carrying capacities. Has any consideration been given to the fact that they have used their money?

DR FULCHER: The Judge raises a very important question. Did all of you hear the question?

Some users have made contributions and others have not. If the records are somewhat fuzzy on how much has been contributed. This is a question I think we need to seriously consider. What should be the policy on user contributions? How do we compensate people for this? If we are going to move toward a fair market fee, should we encourage contributions?

It is hard to get appropriations for range improvements and money is needed to get the range work done. This is an interesting question you will want to discuss. To some operators who have put as much as \$100,000 into public lands, it is an important consideration. On the other hand, I think that if you check closely you will find most of these expenses are tax deductible and come off their income tax. Maybe through tax deductions Uncle Sam pays for most of these improvements anyway.

COUNCIL MEMBER: I haven't paid any income tax for about 10 years. We put a good many thousands of dollars into land, so I don't think it holds true.

DR. FULCHER: I have had the opportunity to talk to accountants who keep records for ranchers and they were encouraged to make contributions to the public land when it looked as if it would be advantageous for income tax purposes.

COUNCIL MEMBER: Because they believed in the betterment of the ranges.

DR. FULCHER: I wasn't trying to make this a general statement, but I think in some cases you will find both sides of the coin.

COUNCIL MEMBER: In considering, for example, the yellow area, where your higher carrying capacities are, have you taken into consideration the cost of the operator in maintaining a base in which to operate, a higher cost of feeding in the winter, a higher investment in property, and generally higher operating costs?

DR. FULCHER: We certainly have. I mean, I have personally. The operators in Oregon and Montana often have to feed five months and have a high-cost feeding operation. They might have higher carrying capacity on BLM range, but they have a much higher cost of operations than the permittees in the southwest. Some of the ranchers in the southwest are on public domain grazing for 12 months of the year.

On the other hand, to evaluate the grazing values you would need to compare permit values in the two areas. These are factors for consideration in determining a variable fee.

COUNCIL MEMBER: I would like to ask a question along the lines of considering a change in the formula to the Forest Service type of formula, which I understand has been in effect since the '30s. In consideration of the fee increase at this time, on top of the one that was taken two or three years ago, has there been any consideration of stability or permanency in such a formula if the increase comes along? Could we consider any permanency or any stability in this thing at the moment?

DR. FULCHER: In considering the formula we did not mean to allude that we were switching over to the Forest Service per se. Let me explain what might happen.

As you know, we have always used the average price of beef and lamb multiplied by some percentage factor. When we changed from the old basis of grazing fees to a formula based somewhat on the value of the forage in relation to the price of beef and lamb, we used 100 percent of that factor, and our fee at that time was 19 cents. Then, when we raised the fee the last time we changed it from 150 percent of that factor. This time we would propose changing it to 215 percent of that factor.

The new formula, assuming that the average price of beef and lamb stayed at 20 cents, would be 215 percent times 20 cents, or 43 cents. We would stick with the present formula and for this proposed increase would only change the percentage factor. Of course we are also interested in some of your recommendations on possible changes in the formula, if that is what you desire.

COUNCIL MEMBER: There was, in our discussion this morning, one thing I don't think was clearly answered; it should be for the benefit of all the members here. And that is the question that Rusty brought out in the comparison of your fees to Indian land. Do you have enough detailed information to make an actual factual comparison of these fees? I think a lot of people might be influenced by the idea that they are paying as high as \$8 for Indian land, or an average of \$1.50, or whatever it is. But there is good reason for this variation, and I think the fact should be brought out why there is a difference.

DR. FULCHER: I think you certainly want to take into consideration what the differences are because the public looks at what we could get if we could put grazing on public land up for competitive bid. Under competitive bid we could get grazing fees similar to those from Indian reservations or prices received for grazing on private lands. I think your point is well taken, that the base property requirement and the fact that you must meet the requirements for a grazing permit makes it difficult to compare the values of private versus public land grazing.

On the other hand, the Bureau's position as administrator of the public land is that we have a responsibility to John Q. Public to get somewhat of a fair return for the resource.

Now, the action we propose to take on grazing fees is a movement in that direction. We will continue to have pressure from the public and other user groups to move toward a fair market value for all user charges.

COUNCIL MEMBER: Along the same line, I would like to have a comparison of State grazing fees compared to BLM fees.

DR. FULCHER: We have a very good breakdown on charges for grazing by various States in the hearing on the last grazing fee go-around. Actually they make little rhyme or reason. It would appear that if the State needed money, it often raised the fee. This was occasionally done by doubling the carrying capacity which raised the fee per acre. Anyway State grazing fees are quite high. I hesitate to give a range from memory.'

COUNCIL MEMBER: They vary quite considerably, without rhyme or reason?'

DR. FULCHER: This was all compiled in the last grazing fee hearing and a lot of the data is current in relation to this problem. I think you would certainly want to get the proceedings of the hearing and look at it. You will find that the Bureau is about--oh, now I am just stating off the top of my hat--10 or 20 percent of the State land costs.

COUNCIL MEMBER: Doctor, on these State lands, do you take into consideration that Nevada did not get any school land like these States of Colorado, which got two sections per township. Arizona and New Mexico got four sections per township. Alaska got nearly 90 percent of her income from this. And the older the State, the less school land they got. And it was, of course, four to a township they were allowed in our State, where the railroads had already taken the land to select areas on the east side of the State where there was more rainfall.

DR. FULCHER: I think this is an interesting sidelight on how the States got their land. It all depends on what time they came into the union. I don't think it has any real bearing on the grazing fee issue.

We can show you a comparison of State fees to BLM fees that was made in a study completed in '62 or '63.

COUNCIL MEMBER: What price do you think the National Forest would get for the grass if its users had to furnish the water?

DR. Fulcher: The National Forest, did you say? It is an interesting question. I don't know.

COUNCIL MEMBER: That's something you want to think about. You have been talking north all the time. They were supposed to range the prices based on northern ranges. And the southern part of our country has year-around use, and we have just barely enough rainfall to keep our cattle alive.

DR. FULCHER: Well, as we pointed out before, this is an important question. I think you should take this into consideration when you talk about variable fees.

COUNCIL MEMBER: We have on the average of \$500 to \$1,000 per animal unit invested in land and improvements, and if we make 3 percent we are doing well. The State college says very few ranches make 3 percent.

DR. FULCHER: Your investment per animal unit is probably no higher in the southwest than it is in the northern areas. There is a high investment in all the areas.

And, in addition, in the North where they have a high investment per animal unit, they also have the cost of winter feeding.

COUNCIL MEMBER: I think if you justified your fees based on our ability to pay that you might get us to cooperate and go along, and you might lower the fee instead of raising it.

COUNCIL MEMBER: Dr. Fulcher, did you have an economic study before you arrived at any of your figures? And I will ask you for the simple reason that, as you well know, the AUM any rancher is entitled to has been capitalized. Whoever owns the ranch has paid for that land, and the local economy is based upon this tax structure. Any increase in your fees is going to lower the selling price of the land. It is going to lower the tax base. It is going to lower the revenue to our schools. And while

you may be getting more money in the Federal Treasury, you are taking it away from the local economy. Have you considered that phase of it?

DR. FULCHER: Yes, of course we considered this phase of it, and this is a very important problem. It is one of the reasons that you should not compare BLM grazing fees to those of the Indian Service, because BLM users paid for their permits. These factors have been taken into consideration.

If you are asking me for a justification for the 45-cent fee on this basis, the Bureau has spent a great deal of money on research, and two or three studies are completed, one at Utah, and one at Arizona, one at Montana and another at Oregon. In addition, the University of Nevada has made studies and we have looked at all of them. These studies present some important facts about the costs and returns of the ranching industry. Also we realize that livestock prices are better now than during the period of these studies.

The whole question, as we see it, revolves back to the point, what should the government get as a fair return for its resources?

We tried to find out what percent of BLM range users had purchased, or at one time traded their grazing privileges. In other words, we wanted to know how many of these had been sold which would involve actual capitalization. The study showed that 68 percent of BLM grazing privileges have changed hands and 32 percent are still in original ownership. Therefore, 68 percent of the permittees have undoubtedly capitalized the grazing permit value into the price they paid for their ranches.

COUNCIL MEMBER: Did they go under?

DR. FULCHER: There are a lot of them that have gone under. I think this is in spite of the grazing fees.

When I was at the University of Nevada a number of people came to the Department and asked me about the economics of going into the ranching business. I developed a rather pat answer to these people. I asked the question: "Are you going into the ranching business to make money, or are you going in as a hobby?" And if they were going in as a hobby, I said, "Fine, you can do whatever you want. If you are going into ranching as a business, let's take a good look at the initial cost and the expected ranch budget." This quite often discouraged them from going into the ranching business.

COUNCIL MEMBER: Quite often you were correct.

COUNCIL MEMBER: On this 68 percent, you were speaking of, does this include a transaction from father to son? In other words, during the last 30 years, conceivably a lot of this could have been caused not by capitalizing upon the value of the grazing privileges, but rather just a natural transition from father to son.

DR. FULCHER: If the ranch stayed in the same family we realized this might have been through inheritance. We tried to use only those cases where the ownership changed from one family to another.

COUNCIL MEMBER: It would be interesting to me to know just where the terminology in regard to the fee changed. Today we are talking about fair market value should be received. As I remember the Taylor Act, it spoke of a reasonable charge, a reasonable fee. The Taylor Act was not passed as a revenue-raising measure, but as a conservation act, and as such, I think we should stay with this terminology. A reasonable fee should be charged.

Now, most range improvements made were made to benefit not only the livestock people, but all other segments of the population as well. If water is developed on the land, then certainly the game people will benefit. So I think that all segments of the population have an obligation to bear the cost of the administration of the BLM land.

You state that the total amount of the grazing fee is only one-third of what goes back on the land. Maybe that isn't out of proportion. I think that multiple use means multiple responsibility in these things, and, as such, all these different expenditures should be borne by taxes, because that's spreading the load over all the population, those who benefit.

I think that we should get back to the terminology of the act and speak of reasonable fees and not a fair market value.

DR. FULCHER: Certainly, and we are looking for what we consider a reasonable fee. But a reasonable fee should be fair market value, taking into consideration these other factors, which would certainly make public land not worth what private land is worth. We intend to look at it this way.

Getting back to something Dee said, one of the problems with a grazing fee is that the lower the grazing fee the higher the permit value, because the rancher is willing to pay more for the permit to use the land at a cheaper price. And conversely, as you raise the fee, you lower the value of the permit. And so you have some kind of a balancing situation where,

regardless of the fee level, the change in permit values tends to equate the cost of using the grazing privilege somewhere near what the market will bear.

Therefore, we are looking for a reasonable fee, but we believe a fair market value, taking into consideration all these other factors, would be a reasonable fee.

We are not managing the land on the basis of an administrative fee. We do not expect the grazing fee to pay all the costs of the management and improvements we put back into the land. Quite some time ago, we got away from the idea that the grazing fee should pay the cost of administration.

We are trying to move to a position of charging what the forage is worth. And as far as administrative costs are concerned, they are irrelevant to this.

COUNCIL MEMBER: What is the total gross revenue to the Bureau of Land Management of grazing at the present time?

DR. FULCHER: Rounded off, it is about \$4,600,000, and we will put about \$14 or \$16 million into the range development and watershed program this year.

CHAIRMAN HUGHES: A moment ago, you said that the Utah survey had been completed. We had information to the contrary. Are you referring to the one that BLM and the Forest Service had requested the University of Utah to join with them?

DR. FULCHER: I did say completed and I stand corrected. It was a progress report that has been published. They are still continuing their studies, but they have published a progress report that shows some of the factors we have been talking about, and they are continuing the study in further depth.

CHAIRMAN HUGHES: Are we talking about the same survey?

DR. FULCHER: I don't know.

CHAIRMAN HUGHES: Ray, can I call on you to read that statement?

Statement of Council Member Ray Lincoln, Idaho

Mr. Chairman and gentlemen, we have heard talk about the directive from the Bureau of the Budget. As you recall, in our meeting in Washington this spring, we were told that the Bureau of the Budget had directed all agencies to take a look at the fees charged, and in that connection, as most of us remember, not only the Bureau of Land Management, but also the Forest Service.

It was interesting to me to find out what these other agencies were doing and how they interpreted this directive from the Bureau of the Budget. So, in that connection, I asked the regional office in Ogden, our regional office, to give me their interpretation of this directive that has been referred to. So, I would like to read just a page here, which is the interpretation of the regional office, Forest office, in Ogden, of that directive.

The land managing agencies, the Department of the Interior, Agriculture, and Defense, were instructed to get on the job and make a grazing fee study. A committee has been appointed, including members of the Bureau of the Budget, to make this study. The Chief urged the stockmen to approach the problem realistically. The study committee was initiated as a result of the statement issued by the Bureau of the Budget in July, 1964, setting forth principles governing user charges for all types of Federally-owned natural resources. The statement provided that a uniform basis be used by all agencies in establishing grazing fees. These are to be based on the economic value of the use of public grazing to the user, taking into account such factors as the quantity and the quality of forage and seasonability and market value of the livestock. The economic value of use is to be set by appraisal that will provide a fair return to the government and equitable treatment to the user.

The Forest Service recently issued a cooperative project with the Utah State University to estimate grazing values on National Forest in Utah and to determine the relation of current fee level to the economic value of the grazing use. Utah will be used as a pilot area for further development of sample methods and data processing procedures which can be applied service-wide. Utah study to be completed June, 1966.

Second, that a complete reevaluation of the fee structure on National Forests and national grasslands in Western States can be accomplished by the 1966 grazing season. In line with long-standing policies, the results of fee studies shall be discussed with permittees and livestock

associations; advice and recommendations of range users and user groups will be considered with regard to any contemplated adjustment in Forest Service fees.

Now, If I may, I would like to give, as an individual, the advice that the Secretary has requested.

I presume that he requested advice on this basis, or he wouldn't have asked us here. I interpret his invitation to give advice. I think that the fee should not be raised at this time. I think it is inconsistent to have a study in progress and come to any conclusions in this regard before the results of this study are made available.

I think, further, that in line with the Taylor Grazing Act, that the District Advisory Boards have not been consulted on this matter and should be. I think, too, that we have the Public Land Law Review Commission making a study of all land laws. It would be inconsistent to make a decision before the results of these studies are made.

I feel that a uniform fee may not be equitable all over the Western States --there are many variables in this regard which should be studied before this action is taken.

Thank you, Mr. Chairman.

DR. FULCHER: We appreciate your recommendations. This is why we are here, to get recommendations of this kind. What you read about the Forest Service position, I think, is true, except that the committee was formed before 1964, it was reactivated in 1964. We are under direction to work with the Defense Department and Forest Service to come up with a recommended basis for a grazing fee. We propose to complete this study by '67. That is we propose to complete the study by 1967, and have it ready for consideration in 1968.

Certainly, we plan on meeting with you people on this issue and discussing all of the findings of fact before any action is taken. As far as the Utah study, the Bureau is paying for part of the study and has made use of the preliminary report already issued.

Now, as to the directive from the Bureau of the Budget. They gave different directives to each department. We in the Bureau are aware of the directive that was given to the Forest Service. They gave the same directive to the Bureau but they also gave an additional directive to get the BLM grazing fee up to the level of the Forest Service in the interim period, and that is the directive we are now considering.

COUNCIL MEMBER: Is there a possibility when this information service study of the Forest Service is completed that this 43 to 48 cents of the Forest Service will be raised? In that case, would we be tied in at the Bureau of Land Management fees so that they would be raised again at the end of a couple of years?

DR. FULCHER: I don't want to prejudge what the results are going to be from this study and from our long deliberations. There is always the possibility, they could be raised, and there might be a possibility they are about right, or that some downward adjustment is needed. It depends on the factors we come up with in determining how much variation there is between the quality and quantity of BLM and Forest Service grazing and the type of variable fee needed.

I don't know if you realize it, but the Forest Service has about 300 different fees, and they vary over a wide range.

COUNCIL MEMBER: I mentioned earlier about the matter of joint costs and joint benefits where grazing is just one of a number of uses--

DR. FULCHER: In answer to your question, it is too early to tell, because we don't know how these costs and benefits should be distributed. We are now in the process of developing an economic analysis of the various multiple uses. This is new to the Bureau and will take considerable testing and review. The program is in process and grazing values will be considered as only one of the benefits of public land management. Such a study will show that full consideration of the other uses places grazing in a different category than where grazing is essentially the only use as in the case of private range.

COUNCIL MEMBER: Could I ask you a question? Would it be fair for our Board to consider that we are in an inflation period now, and it is apparent we are going to go into it more and more and it is going to get stronger? The past history of the livestock industry shows that we have always lagged three years behind an inflation period before the livestock or agricultural industry catches up. So now those of us who are in the production credit and the credit banks and things like that, we are starting to plan and brace ourselves to the fact that the livestock industry has got to be carried on over this three-year period. It has got to be financed over this three-year period that it takes the agricultural economy to get up to the inflation period.

Do you think it is fair for this Board to consider this when we are discussing fees?

DIRECTOR STODDARD: I think that economic prognosis is not one of my long suits. I know that the position that the administration is taking. They are doing everything to try to hold the line. On the other hand, from what I read of the economic forecasters, you can read both sides, we could go either way.

So I think it is a matter of prudence from a business standpoint. Certainly, inflation is a factor that you have to take into consideration as a possibility. On the other hand, they say that plant capacity is not keeping up with demand, and that things are really on the incline. So you can take your choice.

COUNCIL MEMBER: What is the time schedule on this thing? Somebody in government must have some idea of what the time schedule is that they have in the back of their mind, when they would like to act or not act?

DIRECTOR STODDARD: This is the immediate problem, yes. We want to get an expression from you to the Secretary, to the Bureau of the Budget, and they will make the decision. We don't make the decision, but we have the responsibility of drawing out the various suggestions and thoughts of how to tackle the problem. They are going to make the decision whether to go ahead, how to go ahead, and what level, what formula, and so on.

We will have before us the types of information that you provide to be used in the total decision-making process. I still didn't answer your question as to the time factor, but we have got to have it soon. We think they may want an answer or expression of position soon so they can make a decision.

COUNCIL MEMBER: I had a secondary reason for my question and I think it was perhaps obvious to you. There is another shoe about to be dropped which affects my industry, the oil and gas industry, and we are not going to be here long enough to discuss it. If this time schedule comes up this way with the Bureau of the Budget, it is conceivable they will act upon my industry as well as the industry of these gentlemen, also.

DIRECTOR STODDARD: This is quite possible, but I don't think we have been involved in the economics of the oil and gas leasing. The Assistant Secretary for Mineral Resources really has responsibility for these economic studies. He has not called on us.

I presume through his industry channels he is going through a procedure to get this information.

COUNCIL MEMBER: In your anxiety to get your fee based on something comparable to the Forest Service, are you assuming that the Forest Service fee is reasonable?

DIRECTOR STODDARD: Well, let's make this into a third person with respect to my anxiety. I don't have any anxiety. I just work here. I will express what I think to be the case of the people who came up with this thought. They look at these various fees and they see BLM at 30 cents and they say, well, a study is underway for a complete review and analysis of the whole fee structure of what the government charges. However, even now there should be some floor, some minimum of grazing fees that everybody can generally agree on. And I think they view the average Forest Service fee as this minimum. I am partly haveing to second guess, nobody has told me, but I think this is the rationale. Any fee that would go above what would be a minimum or a floor would have to be based on these kinds of studies that take into consideration the whole impact, the user impact, the multiple uses, the joint uses, all these things. And this is why the study is going to take time. They are going to get into the whole question, not only of user fees, but the distribution of user fees. This will be a complete study. The present fee proposal is an interim move as part of this whole business that the government is going through in trying to improve economic efficiency and obtain a fair return for government resources.

COUNCIL MEMBER: I think if the Budget Bureau has directed you to raise your fees in line with the Forest Service fees, then they are just not aware of the facts. I just don't think that they are comparable. I don't think that we would argue that there should not be a comparable basis for setting the fees, taking into account the variables that we have spoken about. For example, I have a piece of Federal range, a very good piece of land. But in some months of the year it costs me \$5 per AUM to haul water in order to harvest that feed. If you are going to compare it, it would be cheaper to buy private land at that time at \$5 an AUM, as against using the BLM at \$5.50. So, I think that they must not be aware of these facts. And if we can get around to a comparable basis, I don't think we will have any argument.

DIRECTOR STODDARD: Well, I am sure, as you pointed out, that as you get farther away from the local scene a lot of these specific problems and details get averaged in and lost. That's why we are talking about the possibility of a variable or flexible fee. There is a considerable difference of opinion among the group about this matter of variable fees. As administrators, we see real problems in handling it. You try to base it on independent surveys. And yet you are charging this fellow a little more, and you know he has problems, and this can bring up additional problems.

Yet, in fairness, we have to look at the variable fees that reflect costs and productivity of the forage in terms of pounds, of rate of gain.

COUNCIL MEMBER: In connection with this thing that Ray has mentioned, this study in Utah, we of Utah felt that this particular problem of comparison of fees of the two areas will be brought out in the study. Now, our concensus is this, that this decision should not be made--this raise in fee should not be made--while we are contemplating a comparison of these studies. That has been our position. I would like to go on record that I would object to a raise in fee now when this particular study is pending.

Now, I would like to make another comment, and it's a thing we found in Utah. Let's refer back to the 68 percent of sales or disposal of licenses. Too many of our people in Utah have sold their licenses and their use because economically they haven't been able to make it pay, to make a living. It is not a good economic unit. Who is purchasing these? It was stated that some operations are from father to son. Well, perhaps. But my findings are this: It has gone to a big speculator, or a man with money who would like to gamble. It has gone to a man who perhaps has a better base setup and feels that he can add this to his setup. To the two units he has now he will add another unit and it will be more economical for that reason.

But back to the little men. We don't want to dispose of these, but if the fee is raised, economically it will force us to sell, and we would not like to do that.

Could we postpone any raise in fee, could we postpone this for some period of time? I would recommend that we not raise the fee because it is an economic injustice to our State.

DIRECTOR STODDARD: The purpose of this meeting, to get an expression from you fellows so that we can take it back to the Secretary and he can take it on up from there. The question is whether there will be an increase or not, and if there is an increase, what kind it should be. They want to get the advisory board's views on these questions. Our job is to try to fully understand your views and to transmit them to higher authorities.

COUNCIL MEMBER LAYTON: If I understand your directive from the Bureau of the Budget, it was to bring up the BLM fees and make them comparable to the Forest Service, is that correct?

By comparable, does that mean an equal amount of money per animal unit, or is that comparable value? There can be a big difference.

DIRECTOR STODDARD: It is comparable in terms of the number of animal units that we have compared and the amount of revenue that it raises.

DR. FULCHER: We had some indication at the last budget hearing, that they might even be looking to a weighted average fee which would probably be higher than 45 cents. But I think we could certainly defend our position on deciding on 45 cents as the comparable fee.

COUNCIL MEMBER: Here is the point that's bothering me. I am a desert rat in the Sonora country where we have a low carrying capacity, ordinarily 4 or 5, 6 head per section. Certainly that's not worth what Forest land is.

I am wondering what would happen if this Council came out with the finding that the grazing fees or the grazing value are worth less on the BLM land than they are on the Forest land, and let's say maybe actually find that using that term "comparable," they are paying too much money now.

The point I am trying to make is this: The government has a bale of hay to sell. If that bale of hay can be sold by a cow using three or four acres, or that bale of hay is sold by a cow, or an operator, to be used by a cow that eats a clump of grass here and little grass there and walks that off before she gets to the market. There is a tremendous difference in that value. What would happen if this Council found that we are now comparable with the Forest Service or that we are above a comparable figure and actually recommend a decrease?

DIRECTOR STODDARD: I can't predict, but I think a pretty good case can be made between the quality of AUM's. My boss here says on some of this land a cow has to carry around a bale of hay to keep from getting hungry. This is not, you know, on all BLM land. It's certain areas and climatic conditions and so on. There is no question but what the study is going to have to come to grips with the difference of quality, not only forage, but the availability of water and the rate of pounds gained. The real problem is, how do you administer a variety of grazing fees.

COUNCIL MEMBER: In making this economic study has there been any idea yet as to what the economic impact would be on the average permittee?

DIRECTOR STODDARD: Well, there has not been, I don't think it has gotten that far along. But I think the question you brought in, Henry, about the capitalized value of the grazing permit is going to have to be brought into serious consideration, because it's a fact of life. If the fee is raised, the higher the rate the harder the impact, not only on the value of the ranch, but the ability of the rancher to pay. The assessment value of the ranch and the community impact. These will also have to be taken into consideration.

DR. FULCHER: I would like to comment on that. On the average, most of the range users run livestock on BLM lands about 6 months. On an average the 13 cents raise would cost 78 cents per animal unit. This would be the immediate effect upon the rancher's income.

We didn't try to determine how much it would devalue the base property. The Bureau is paying a portion of the cost of a study in Oregon on the economic impact of public land grazing on the economy. I think this will be a valuable study to us. There are numerous other studies we can use that have been conducted by western universities.

COUNCIL MEMBER: Would this team making the fee study have a representative from the Bureau of the Budget so they will have this information, the economic costs to consider with the proposed fee increase?

DR. FULCHER: As I understand it, there will be a Bureau of the Budget representative on that committee. In our discussions with the Bureau of the Budget on grazing fees, we will take into consideration all these studies. When I get a study that shows sufficient information which I think is of value to the Budget Bureau, I route it to them for their information and analysis, especially if it refers to the value of grazing on public land. I have been doing this on my own.

COUNCIL MEMBER: Actually, the fee will be set by the Secretary of the Interior and not the Bureau of the Budget?

DR. FULCHER: Yes, this is true.

COUNCIL MEMBER: In the western area, would you say that there is a basic difference in terms of carrying capacity and productivity on Forest Service land as distinct from BLM land. This question involves comparability which I think is very important.

DR. FULCHER: I think on the average the Forest Service land carrying capacity would be higher, although they have a lot more restrictions than we do on suitability and slope. Often they don't allow as many as we might under our system. But for the livestock that they let on, certainly I think the carrying capacity is probably higher.

You do, however, have to think about limited seasons, when you can use the National Forests and when you can't and what you do for grazing to round out your operation when you are off of the Forest land.

COUNCIL MEMBER LEE: Could I ask our lawyer, Joe Tudor over here--we wrote the Taylor Grazing Act and worked and finally got it passed through Congress after many years. We wrote in that law very plainly that the fees were to be regulated by the Secretary of the Interior. Now, we have directive to where we have another bureau of the government telling the Secretary of the Interior what the fees are. How can he do that under the law? Would you explain that to me?

ASSISTANT SOLICITOR TUDOR: That isn't so difficult, Floyd. The Secretary of the Interior is appointed by the President of the United States, and the executive branch of the government is headed by the President, and the Budget Bureau is the President's advisory department on budget matters and on administrative matters. The Secretary, when he comes to consider his responsibilities under the Taylor Act, has very well in mind the program of the President, and the Bureau of the Budget are the people who tell him what the programs of the President are.

I don't know whether I answered your question satisfactorily.

While on my feet I would like to speak to the problem of reasonable fees. Ray Lincoln raised the question of reasonable fees. It is true the statute says "reasonable fees," or did two or three years ago. Considerable disagreement was caused in the Council by charges or statements about subsidies of the industry back in the early days. George Swallow very capably defended the position that there was no subsidy. Reasonable fees can be reasonable in this proportion; that is, reasonable in terms of the industry. Reasonable may mean reasonable in terms of fair market value, or it could be reasonable in the sense of an income to the United States for something it has to sell.

So the word "reasonable" is flexible. As you recall, a few years ago I pointed out that the word "reasonable" is large, it is malleable, and that reasonable people can differ as to what is reasonable.

The Department is now under pressure, and has been for some years, to increase that word "reasonable" to be--to give the government a fairer return for something it has to sell, not yet reaching, of course, a point of a profit or of administrative costs, which are much higher.

COUNCIL MEMBER: You mentioned if you fix a fee that you consider reasonable, it puts a man out of business. How are you going to justify it? The law of economics takes him out.

ASSISTANT SOLICITOR TUDOR: You have had that problem from the earliest days. You have had marginal operators and there have been many pressures

on him. The grazing fee is only one of those pressures. Other pressures are your local tax structure, your rising labor costs, your rising transportation costs, and so on. So, your grazing fee is a small proportion of many factors which go into keeping a man in business.

We should look at the general impact on the industry. Is our fee so high that it will adversely affect the industry generally? If the answer is yes, this department, I know, will give very serious consideration to lowering that fee. If the answer is that generally it does not adversely affect--it will affect you, of course, in your tax structure, it is true, but that is only one of the factors involved and one of the small factors.

CHAIRMAN HUGHES. Local taxes and grazing fees comprise 10 percent on the average of the operator's budget. Do you call that a small item?

ASSISTANT SOLICITOR TUDOR: I will yield to the economic advisor here.

CHAIRMAN HUGHES: Let me put it just another way, I don't know what you mean, its effect on the industry. I assume--I agree that there are livestock operators who if you gave them a large amount of money would squander it and be broke and penniless. We have this situation. I am trying to interpret your statement of the effect on the industry. We have this situation. I am trying to interpret your statement of the effect on the industry. We have this situation in Colorado, the State I am familiar with, where the cow and the calf man--or let me put it, the man running the cattle--who has to rely on income from those cattle in this intermountain area is just about at the end of his string. His problems have increased.

Originally the Livestock Loan Act took the mortgage on the livestock only. They have had to go to his real estate. These mortgages have increased. They are operating at a loss. We can establish that as a factual proposition.

Now, would that be a big enough segment of the livestock industry to justify saying that the effect on the livestock men operating in the intermountain area would be an effect on the industry?

ASSISTANT SOLICITOR TUDOR: Perhaps the lawyer is the wrong one to answer that question, Judge. Certainly, the extent of this effect is something that the committees and the administrators will take into consideration. If it is 5 percent or 10 percent or 20 percent, the greater the impact.

The committees know and the administrators know; they are not acting vaguely, either. You have heard about these studies that are being made, and there are any number of studies throughout the universities on these various aspects.

Yes, of course, these things have to be taken into consideration, and it may very well be that you have to balance that off with other pressures that are coming into the administrative people. They have other pressures for these lands and for these uses.

DR. FULCHER: Grazing fees, from the studies, show they vary from one and a half to six percent of the variable costs of the operation. This depends on the size of operation, where they run, and so forth. Actually, you would have ranches that would go broke if the grazing fee was zero, and others that would make money if we raised the fee.

Statement of Council Member Edward Clyde, Utah

I would like to make a statement as to part of a question to get into focus what it is we are trying to accomplish.

It seems to me in the discussion we are talking about two problems which come together and interfinger to some extent. One is the long-range problem of where we are going ultimately, and on this it seems to me that the years I have been on the National Advisory Board Council, that the government representatives have been most constructive with their help. What I am saying is that it seems to me like we have got two problems in our discussions. We are letting them intermingle too much.

In the long-range aspect of where we are going, I think the government has taken a constructive attitude, at least since I have been on the Board, of launching a study not in a vacuum but on a rather broad basis of what the future policy is going to be. And for the long-range future, I suppose we are going to have our day before the Land Law Review Commission and the Department in the formulation of the policies, and in the long-range aspect I think we do know what we are going to get for what we paid.

In all uses for industry of the public domain, it is critically important to anybody contemplating either buying or selling permits or staying in the business through these tough economic times to know what the long-range policy is going to be; or are the fees going to be up every two or three years to where they find a competitive position in the market place for what the government is going to sell its bale of hay for? If this is the policy, you can make decisions in relation to it.

If the policy is also going to be to classify this land as the Forest Service has done, and the policy is going to be to hold it in fee ownership and manage it for single or multiple use, then this security of expectations, both in knowing what the fees are going to do in the future,

knowing what our rights in the use of the land is going to be for a reasonable future period of time, helps us equate the price which we are having to pay against what we are going to get.

So I think that out of the Land Law Review Commission and the formulation of long-range policies, we have got things other than fees. We have to look to see the over-all policies for a period of time in the future in the management of the public domain.

I think the second problem is, what do we do in the interim? I think that's one of the things that you are being asked. In the interim, they are saying, the Forest fees are 45 cents and the BLM fees are 30 cents, and by that fact alone an adjustment ought to be made, and, as to that, I think we ought to be talking about some different things from the long-range policy.

I think when the Budget Bureau says, get them on a comparable basis, they don't mean necessarily--or at least they shouldn't mean necessarily--get them identical in dollars and cents.

You have all brought out these points and I will touch on them briefly.

The Forest Service has a security of tenure in that it is already classified, and we know what the future of the Forest lands are going to be. The BLM lands are not being classified, and the policy is two or three years down the road. The people on the Forest domain have a security of expectation, and the people on the BLM are in the throes of what the problems will be--some rather violent changes in policy.

What difference does this make? It makes a difference because in this interim, the values on BLM permits are going to be appraised as part of inheritance taxes, people are going to sell for a multitude of reasons, and at the moment both the uncertainty and the lowness of fees are being capitalized in the sales price of the permits being found on the market place. You have a difference in the maintenance of the base permits, you have a difference, as Judge Hughes pointed out, of the seasons of use in our area, too.

Many of the BLM lands don't have the lambs and calves, simply because they use them at different seasons. They are gone. And so I think we ought to be discussing why the difference. There is a difference in the price of a Cadillac and a Volkswagen. They are both cars, but there is a reason. Our Utah Supreme Court had before it a problem about the Public Service Commission, that the long-line rate of A T & T and the intrastate rates of Mountain Fuel Supply were different, and the Supreme

Court, I think correctly, held that isn't enough to make the case that they need to be the same. We should explore the reason for the difference.

So, in the interim, what are we going to do until we reach these long-range policy decisions--and this is my question--should we not be discussing what we do in the interim--on the interim question--and whether to get them on a comparable basis they have to be identical. I think this needn't be, and I think there is a reason for some differentiation, and then in the long-range thing that many of us are talking about already, some long-range considerations of policies that certainly have to be examined simultaneously with the examination of the fee question.

We can not look at the fee question in a vacuum on a long-range situation. But we are faced with an interim directive from the Bureau of the Budget, which I suppose reflects the attitudes of the administration, that you have a differential while we are waiting to develop a long-range policy.

We want to find a common basis, and Ray Lincoln hits it right on the nose. The common base is, I think, a proper method of inquiry during the interim to seek the basis for arriving at the price. But I think it is entirely fallacious to take apples and oranges, for example, and say they have got to be the same price.

So I would like to see our discussions divided into two things, and the actions we take into two things; one for the long-range, where are we headed and what do we do in the interim in regard to fee adjustments until the Public Land Law Review Commission can get through with their studies. If we can keep our thinking in those two categories, it seems to me it would help.

DR. FULCHER: I think Mr. Clyde has pointed out the divided issue you should consider and things you should take a look at.

DIRECTOR STODDARD: Mr. Clyde brought some excellent points here that I think can be very constructive, both in the terms of the way in which you set your recommendations up for decision, and the decision you make.

(Whereupon, the Council recessed at noon for lunch, to reconvene at 1:30 p.m.)

The Council reconvened at 1:30 p.m. and the afternoon session began with a continuation of the statement of Council member Edward Clyde.

Statement of Edward Clyde, continued

I had fairly well completed the statement that I had, but it seems to me from taking the statements that I have heard out of the users--and I suppose for the record I had better correct it, I am not a livestock appointee--I am here to represent the petroleum industry, and I am not a user of public land. So my concern is one of finding good government and pursuing our function here.

But if what we are going to concentrate primarily on doing here is to handle the problem of the request that apparently originated outside the Bureau of Land Management for equalization, at least of the base for fixing the fees with the Forest Service and the BLM lands, I think that we have to at least formalize--I think you users can do it much better than I can--the differences. It isn't sufficient to merely state that a difference exists, and therefore we have got to have the same fee. Out of the discussions this morning, I just scribbled a few notes that seemed to be some of the differences which would justify some difference in fee.

It might help our discussion if I would just put them in summary form. First, it seems to me that the security of expectations is considerably better with the Forest user than it is with the BLM user, and I think that difference of security of tenure or security of expectations has been accomplished by classifications which we will get, I think, out of the interim legislation, and I hope out of the long-range planning commission. But I think that the user of the Forest Permit does not have the same hazards of the permit being canceled and the land taken for other use, as does the user of unoccupied, unappropriated public land which is being held until some higher use can be found for it by some other department of government or industry.

The Forest Service land has been set aside and pretty well permanently classified or semi-classified for that use.

The second thing that came out of Director Stoddard's remarks is that the lands that we have left under BLM management are the residue. After disposal practices of the last 150 years have worked their way through and have taken the water and the river bottom and the desirable land, you have left a tract of land that is comingled and interfingered as to ownership--checkerboarded, scattered and much more difficult both of administration and of use. In many areas, out of necessity, you are on the Forest land only; on BLM land you are necessarily frequently on combined use of your own land and Forest land and State leases and private leases.

I think that a third difference that has been expressed here is, there is a substantial difference in the control and the expense of developing and providing water. On almost all of the Forest land, water is something that has been provided for simply as a part of the Forest control. Where, on the BLM land, anybody, at the expense of the Federal government, the wells have been driven, but often at the expense of the user. Frequently, water has to be hauled. I think there is a substantial difference in the water control.

A fourth thing that has been mentioned by users is that the quality of the Forest land is better, particularly where you are comparing identical seasons of use. I think the point made by the BLM that where the Forest use is a summer use and the BLM use is a winter use, the alternative to using BLM land in the wintertime is the purchase of hay, and perhaps puts a higher premium on it. But we have some that are directly comparable with the BLM use as a summer use and the Forest Service as a summer use--they both have the cow and they both have the calf on many of our ranges on common use. We have two big differences. The cow pregnancy rate and the calf crop will approach 80 to 85 percent on the Forest, and I think on a lot of our BLM land they are happy for a 60 to 65, because the cow is not in such thrifty condition.

There is a differential in the amount that I would pay in the livestock business for one over the other, so I think that is a difference.

A fifth difference that has been mentioned by the users where they are not comparable because of differentials, you do have a cow and a calf on the Forest or a lamb and a ewe, as against the cow only or the ewe only on the BLM land, and I think this is another substantial difference.

Another item that I have jotted down from the remarks that have been made by the users is that there is a very extensive investment by the user in improvements on BLM land which I don't think has a comparable counterpart in the Forest, and I think to give the proper reflective value on that which is different. I think also the burden of maintenance of the improvements is heavier and more costly. I think this is partly offset, however, by the fact that in the BLM situation part of the fee does go back to range improvements, and perhaps the government is spending more money on range improvements on BLM than on Forest.

Now, I have done the same thing by way of summary from the remarks on a comparison with Indian land.

It seems to me, the main difference, if you want a permit to get on the Forest, you have to first invest \$100 to buy the permit, and then you have

to pay the grazing fee. If you want to get on the Indian land, you don't have the \$100 permit. I don't know what the rates are otherwise, but around the area, a cow permit sells for \$100. You can't just take the bid price to the total compilation and compare it with the capital investment of \$100 plus the grazing fee when you are comparing the Forest permit.

Now, I am sure that the users here have a lot of other distinctions, but these are the things I have gleaned from this morning's session. If we are going to start out the way I summarized my remarks before lunch and try to say, all right, while long-range policies are developing, if you are concerned at the Bureau of the Budget level that there is discrimination with the Forest users paying unfairly when compared to the BLM users, we get to a common base as to what leasing costs, and I think it would be productive to describe or identify further differences in the two that would justify some differential in price.

Then I suppose we have to examine whether the differential which exists is the right differential. But it does seem, from the remarks this morning, that a good case is made to come with a common base, which does not require you to come with the same price. This was the approach that I was trying to take--try to come up with a statement. While we recognize the necessity for finding a common base. That is proper government. I do not know that either rate is inherently correct; when you have a differential, the high one may be too high, or the low one may be too low, or they may be both too low or too high. Inherently, what the rate is going to be, I guess, is going to come out. The handwriting on the wall, as I see it, is the difference, a justifiable difference.

If we conclude that it is or it is not, how do we implement it? Do we do it with variable fees? Do we delay it because of hardship? I mean, it seems to me these are inquiries that have to be met.

I own the office building where I office; my tenants are on three-year leases. If I have a precipitous increase in taxes, there is no way I can recoup. If I can have a warning, I can build it into my lease structure. The governor has announced he wants to bring the tax up about 33 percent. If he did it in one year, I would get hurt. If he is going to do it in six, I can adjust. So the method of narrowing the difference, I think, is always a proper area for recommendation.

Discussion and Consideration of the Issue

DIRECTOR STODDARD: Well, let's have a little discussion. That was really well organized. You indicated some substantial points of difference. Maybe we ought to try to see if there are additional points that might be brought in. Several points were discussed on the fact that there were certain key seasonal advantages as far as public lands are concerned.

COUNCIL MEMBER: Do we have some kind of instructions or some communication from the Bureau of the Budget on this thing so we know exactly what they are talking about? Have they made any request or recommendation?

DIRECTOR STODDARD: They wrote to the Secretary, and the Secretary asked the advisory board to advise them on it. They wrote to the Secretary saying that fees comparable to the Forest Service was in the mill for this forthcoming year.

COUNCIL MEMBER: Shouldn't we have that writing in the record so we know exactly what they are talking about?

DIRECTOR STODDARD: This is a Secretarial matter. Maybe Harry Anderson could comment on it.

ASSISTANT SECRETARY ANDERSON: Someone mentioned this morning, as far as raising the fees, this does become a Secretarial decision. However, we all appreciate, I think, following Mr. Tudor's remarks, that the Secretary is a part of the administration, and the Bureau of the Budget has for some time been talking about increased user fees. There was considerable pressure, as I said earlier. The Secretary was under a lot of pressure a year ago, but he was able to defer any consideration or any kind of an increase in fee last year, but the pressure has been brought up here and is still with us.

Now, there has been a certain amount of dialogue and exchange of conversation--also in written form--as to the feelings of the Bureau of the Budget and what they expect or feel that the Secretary should do. This is what we have tried to convey to you here today. What this is going to end up in, I don't know. But I certainly appreciate the dialogue and the exchange of information that has been presented here today. I think it has been very fruitful, and we may be faced with some kind of an ultimate decision of having to do something. That is why we like to have an expression from you people--should it be a fixed fee or a variable fee--because the pressure is with us, and that is about the way we face it.

As far as any written piece of correspondence, I do not have anything to submit here. This has been part of the exchange of information. But I feel we have conveyed to you correctly the situation as it exists.

CHAIRMAN HUGHES: I would like to make a few remarks along the line of discussion that Ed Clyde has started.

We have to start out on the premise that the Bureau of the Budget, the Secretary, and the National Advisory Board Council must proceed on the principle of what is best for our nation. We do not have to agree with what the Bureau of the Budget said is best for our nation, nor does the Secretary. The Secretary is the one who has to make the final decision if he follows the law as laid down in the Taylor Grazing Act.

I don't think you can escape or avoid that conclusion.

Now, I hate to go back into too ancient history. The Eastern States started out originally in private ownership approximately 100 percent of the land within their borders, and they had a tax base of 100 percent. The public land States are in a far different situation. I can not give you the exact percentage on all of it. I think Nevada is probably the lowest, with about 80 percent public land, and 20 percent private land, for the tax base. In western Colorado we have approximately 35 percent private owned land, and the balance being 65 percent, and I think maybe it would run closer to 70 is public owned land.

So that on the tax base in the area I am familiar with is one-third less than in the other States, in the East and Texas.

We were originally permitted to use as a public premise the public land, and then came the Forest Act. We all remember Gifford Pinchot was the father of the Forest Act, and he made the statement that the purpose was not to lock up resources. If it meant locking up the resources, keeping them from development for the use of the people, they better not pass the act. The public domain was put under somewhat similar provisions, but with more protection written into the law--the law which is binding on the President, on the Bureau of the Budget, on the Bureau of Land Management, as well as the users.

If you charge a fee higher than a reasonably large segment of the industry can stand, then you have defeated the purpose of the Taylor Grazing Act. Remember that there is written into the law a priority right. You all say that we have no right to the grazing. But at least the United States Court of Appeals in Washington has said that there is a right to be granted to grazing in accordance with the priority provisions as set up in the Taylor Grazing Act.

So, we have proceeded on that basis, and on what we agreed through the Council some six years ago was a reasonable fee.

Under the law and under that agreement of what is a reasonable fee, the jelly has jelled. A status quo has come into existence. Our lands which are used as base property have increased in value, it is not denied, and they have increased on the tax rolls in taxes assessed against them. Our counties are used to this high tax. I go right now to one area, Hinsdale County. I made the statement that four percent of their land was privately owned. The Colorado Legislature had some kind of a survey made and came up with a figure of three percent privately owned.

Now, if you take any large segment of the livestock industry out of there, Hinsdale County is going to be in a sad way. You can not affect a large segment of the livestock industry in these public land states and not materially affect the standing economically of your school districts, your county government, and all of these governments that you may name.

We advanced the proposition that the status quo which has been built up on, which not only the livestock industry but the commercial and governmental interests of our counties have relied upon, if you do it hurriedly and say we are going to raise this another 33 1/3 percent, it is bound to have a very adverse effect.

You can answer my statements by saying, "Well, if you do not want to operate on these lands, there are plenty who will." You are correct. There is plenty of big money seeking investment in land because they have a high tax coming on account of the sales they have made. They believe that inflation is inevitable, and they would rather put that money into land.

Maybe they will go into the livestock industry. Every speaker that I have heard in the last three years, which includes several gentlemen from the Department of Agriculture, has warned us that the livestock industry will be integrated. It will be integrated from the top, which I think we are correct in saying will be a chain store, or it will be integrated from the bottom, from the producer of livestock.

I do not vouch for these figures, I am not certain enough of my memory, but I remember somewhere, I think in the Department of Agriculture's statement, that the livestock industry in its total sales amount was \$87 billion in these United States. Of that \$87 billion, between 14 and 15, if my memory is correct, goes to the producter on the ground.

Now, you can bring in, if you want to, this big money, this capital seeking a risk investment hoping that inflation will take care of the situation, hoping that the escape immediately of an extremely high tax can be charged off against this investment. Who will it be? It will be two classes. First it will be people whose income will not depend upon the success or failure in the livestock business. It will be people who, if they make money, will take it to your large cities. Whereas the present users spend their money right there at home and hope they will get enough to get their taxes paid and their groceries bought.

That is the situation we are facing, gentlemen. Maybe there is an answer. Maybe we can work out a program which will vary the fees. But I do not think we can do it between now and March. I do not think that the best economists in the world can sit down and get it worked out in that short period.

We assumed--at least I did, when I came to this meeting--we would be talking about a long-range adjustment, finding a fee base that would be equitable to all, and that we would take material time to do it. You know what has occurred here today. The time is short. I will not say the cards are stacked against us, but they have been dealt pretty fast. We should take more time. I do not think that the livestock industry is averse to going into hearings and determination for the purpose of arriving at a reasonable fee base, but they want their side of the question properly presented. I do not believe that coming here as we did today, we can say that we will present all the matters that must be discussed.

You may not take this too seriously, but particularly in the cattle industry in the intermountain area, they are fighting for their lives right now. I happen to be president of the livestock loan agency here in Denver. We have held our interest rates down, because we felt our customers could not meet a high interest rate. We are loaning at $5\frac{1}{2}$ percent, and we are paying, I think, 5.15 to the Federal credit bank, so we do not have a very big spread. We only hope to get by until conditions get a little better, and try and hold our money together, not to make any big money, not to make any money until that time arrives.

Other lending institutions in the last six years have increased their interest rates from $5\frac{1}{2}$ to $6\frac{1}{2}$, and I understand a lot of them are going to 7. Our records show--I refer to the lending agencies in Colorado--these loan credit corporations, not your banks--that the cattlemen are losing around \$15 to \$18 on every calf they raise and sell. Let's hope the price goes up, or at least it stays up to what it was last summer.

We had a sale at Montrose, and top heifer cattle sold from 20 to 21 cents. They were weighed somewhere around 380. If we ship those over to the eastern slope, we have got two and a half dollar increase in the expenses of shipping and selling through a market here in Denver, so that as against 21 at home, we would have to get a minimum of 23, if we brought them into Denver.

Those things we want to give you the facts on. We want you to understand, we want you to be on our side. We call ourselves here the Loyal Opposition. We want you to join us in the loyal opposition to the Bureau of the Budget, if they have made up their mind arbitrarily that there must be an immediate increase without due study or recognition of the existing facts.

We do not want to stir up this economy which has jelled under what has occurred since the Bureau of Land Management came in. We want to be fair; we want to work with you. But when you talk about putting 33 1/3 percent more on fees in an industry which is struggling for existence, we do not think you are talking about a fair proposition.

Mr. Anderson said that the fees of what, 1.3 percent, approximately 1 1/2 of the total outlay? Our records show here that fees and taxes, I mean ad valorem taxes, because we pay very little income tax, run to approximately 10 percent, and that is a percentage that has to be given consideration. Our interest rates have increased. Our trucking rates have increased. Every time they put an additional tax on, a gasoline tax, it is passed right back to the man who has his products hauled on the truck. The trucking company does not pay it. They adjust the media for collection of that tax. And then, the producer, pay it.

Our State taxes have gone up. Our local taxes have gone up. In our county we are faced with building a new high school. I was on the committee that built the last high school. We built it for 450 pupils and thought we were in line. We now have a pretty fair group of breeders. We now have a minimum of 1,000 pupils we are trying to fit into a 450-pupil building. We can not do it.

I have gone over the survey put out by the Forest Department and the BLM. I think it is a good work. But I am a little at a loss on what type of figures they used. They said they allowed the owner of the operation the same fee as labor was paid, if I read it correctly. Now, that is not right and just not going to be the proper method of setting what he should be allowed.

The Federal government through the Bureau which should have the best information on what a man needs--I assume the welfare--tells us that a family needs \$90 for every member to have a sustenance wage. Now, I

would say that our livestock operator consists of a man and his wife and an average of four children. That's six. Six times \$90 would be the wage, according to the Welfare Department, of \$540 a month. Bring it to a year, and you are close to \$7,000 that he has to have for a minimum sustenance for himself and family. I would rather take that figure than I would the going wage, simply because we have pretty cheap labor--I will admit it--labor that probably can not find employment anywhere else than on our ranches and with the livestock.

Let's go to another statement. I only know of this from reading in the papers. The administration says that any family who is earning less than \$15,000 a year, the government will assist in putting their children through college. So apparently somebody back in Washington figures \$15,000 a year as being a minimum that a family must have to put their children through college. That does not jibe, I will admit it right now, with our figures.

I think you could name on one hand--at least you would not have to use more than two hands and take your shoes off and use your ten toes, to arrive at the people in our area that make \$15,000 a year and would be able to put their children through college. There are numerous things of this type that must be considered. If we move with the haste that is suggested to us today here, we are bound to completely upset the economy of many of our counties in the public land States.

If you drive out the man who has been running his livestock there on a family basis--that means that his only income comes from his livestock, whatever may be its size, he is getting his sole income from his livestock operation--if you drive him out of business, what's going to happen?

The FHA has been buying up some large livestock operations, the land, and distributing that land out to the smaller operators of livestock on what is, my understanding, a 50-year repayment at 4 percent interest. The only reason they give, that's logical to me, for buying up these outfits and distributing them, is that if they don't do it, the family they are helping will go on the relief rolls, will come to the cities, and it will cost the government more to maintain them on relief in the cities than it would to go on with this FHA program.

Now, that is one of your sister institutions. Whether they are right or not is not for me to say; that is their judgment. I am inclined to think that you dirve out of the livestock industry these smaller operators. They have no other training, no other work they can do, and they will go on your relief rolls and they will help crowd these large urban communities like the city and county of Denver and the surrounding area. We do not want that.

I think, Mr. Anderson, the article you wrote something around a month ago--something like that--bore down on the proposition that we need more country towns and country operations and less in our large cities. I accept that as a true statement.

John Garver wrote that this nation has used up a lot of its natural resources; copper is now up to what, \$5 or 37 cents a pound. So you go. We are having a scarcity. Most economists view the future from the standpoint that we may not be able to produce sufficient foodstuffs for our own population beyond the year 1970. I am a little inclined to doubt it, but they are good economists and they should be right. Somebody has got to stay out in the country and do this production. It is costing the average up-to-date farmer on not too big a tract of land, according to estimates of the economists, \$90,000 to \$100,000 invested in machinery. Most of your livestock operations under the rules laid down by the BLM--I think it was a just proposition--it is in the Taylor Grazing Act--we have to have a ranch operation in connection with it, and that ranch operation is expensive.

If you have the money to buy enough land, enough Taylor Grazing and enough Forest, probably you could do away with these ranches. But I just hate to think we are going down the road where the man who does not have to depend for his livelihood on his stock operations to support him and his family, owns the cow and the calf and ewe and lamb setup. Yet, I am afraid we are taking a step in that direction unless we weigh this thing thoroughly.

I think we are moving too fast. I think we should give more consideration and bring all of these facts not only to the Secretary, but to the Bureau of the Budget, if they are going to issue orders as to what the range fee should be.

COUNCIL MEMBER REA: Is the Bureau of the Budget asking the Department of the Interior to have other people using the public land to make a study about what they should pay, like oil leases, gravel, sand, etc?

DIRECTOR STODDARD: The basic studies that I mentioned earlier that are going on--there will not be any information until they get their groundwork, and they will not be having hearings until further groundwork has been laid, but they will be approaching the users at the appropriate time.

COUNCIL MEMBER REA: Maybe I am trying to say the Bureau of the Budget is saying to the Department, your grazing fees are not enough. Now, then, are they saying to the Department that the prices for gas and oil leases are not high enough, either?

DIRECTOR STODDARD: What they are saying is essentially this, that the fees, the formula, and so on, were set some years ago. Things have changed. It is time to take a new look in terms of economics today in relation to the charges made--are they in line, are they out of date? These are the things that are involved in these basic studies from which there will not be any results for a couple of years.

COUNCIL MEMBER ANDERSON: One thing doesn't come up and we haven't discussed --I don't know if it should be interjected at all; I think the Bureau of the Budget should look at it.

We keep talking about a fair return, and I think there is merit in what they are concerned about. We are talking about a \$2 billion total live-stock industry in this particular raise, and at the same time we are probably giving away \$10 billion to farmers on other items which have virtually no fair return to the government, shall we say. So this is entirely inconsistent.

The inconsistency is attacking either the oil man or the rancher, and at the same time building an urban affairs housing development down here and not charging people the going price for the rent on those apartments. I believe if we are going to talk about compilations or studies, I may not agree with the oil industry or the cattle industry that we should put them off. But I do think that the inconsistency in our reasoning is a consistency within itself, and that this is a subject that the government could well study: Why attack one and pay off another?

The real answer usually is, there aren't very many voting cattlemen. There aren't a lot of voting oilmen. But there are a lot of voting people in the urban affairs, and there are a lot of voting farmers. This is where we get caught in the trap every time. And I think if we are going to go into lines of reasoning, and I could well, perhaps, be placed alongside some of the remarks of Ed Clyde, which I thought were all just marvelous, I could not agree with him more. But I think that this should be considered.

DIRECTOR STODDARD: Additional factors that should be considered in arriving at proper user fees, of course, get into the whole area of political decision making and political philosophies which are involved, and we are just one little facet of it here. We may not agree or disagree with how these other agencies which Congress has set up operate. We can call the attention of the government to the points you make here, but it is pretty difficult for us to resolve these in any way except to include them in a consideration of the merits along the lines that the Judge was making, and also that Ed Clyde made, in the consideration of a fee. What kind of a level, kind of an impact does it have on the industry in relation to other things going on? I am certainly sure that these factors are going to be ground into the study, as to what the impact is going to be.

When you get into the question of some of these social programs or farm support programs--well, just frankly, one of our problems is the fact that the Department of Agriculture has an agricultural program and we in the Department of the Interior have a program that is ground off separately. It means, of course, that coordination is, within the government, somewhat difficult.

We have problems in land. I don't want to bring up an extraneous subject, but in Idaho we have got a lot of people filing for land, for desert land, and they want to grow potatoes and pump water out of the Snake River. We really have no means--we have archaic laws--under certain conditions you can get land for desert land development. We have to comply with the law, and we are in a situation subject to the words of having certain requirements or requests to elicit information from the users that can be used by the Secretary for making his recommendations to the Budget Bureau.

ASSISTANT SOLICITOR TUDOR: Lloyd Rea asked a question. I would like to answer. Lloyd said, are there other areas of the Department's operations where this increase or the Budget Bureau's directive is taking effect.

I think the answer is yes. There are other areas where this is being done. Historically, we go back to 1950 where an act of Congress said that the government agencies shall obtain a fair return on the services furnished and the activities that they perform for citizens or groups of citizens, and your industry is one of them. The statute is on the books and has been on the books since 1950.

Some administrations did not do much about it. Other administrations, the Eisenhower administration started to do something about it, the Kennedy and now the Johnson administrations are following through.

Politics being what they are, money is going out, like Bruce indicated, in one area, and monies have to come in in another area. Specifically, there have been changes in the Department's operations. For instance, in Alaska the fee for oil and gas leases went up from 25 to 50 cents per acre some years back. The Department on public sales and your appraisals of public land for public sales, your appraisals and your sales have gone up perhaps as much as six times the base factor that you had some years ago. In other words, the return to the people is larger by far, more reaching, reaching the fair market value, and the Department has said over and over again, and has called off sales, it has called off exchanges where they determined that the appraisal was not properly made and that the people were not getting a fair return.

You and I are the people. We were not getting a fair return of the capital of the people for the land or for its services. That is another area.

More recently you have had the situation of pipeline rights of way. Some years back there was no charge for rights of way. Harold Ickes put on a charge of \$5 a mile. In recent years that has gone up to the fair rental value of a pipeline right of way, and that might go up, maybe a hundred-fold. You see, we are reaching into other areas and trying to get back for the people a fair representation and fair share of what this is worth to the particular user.

COUNCIL MEMBER: Joe, are you saying that that law amended the Taylor Act?

ASSISTANT SOLICITOR TUDOR: Across the board for everything the government does. In effect, yes.

COUNCIL MEMBER: In effect, it amended the Taylor Act?

ASSISTANT SOLICITOR TUDOR: By implication, to that extent, yes.

COUNCIL MEMBER: I have this question. Will, if they increase these fees up to, say, what they are now, will this give Congress--will they be more amenable to spending more money on range improvement? After all, our fee is in direct relation to what we get.

DIRECTOR STODDARD: This is a very good point, because I can not predict what Congress is going to do, but I can tell you the problem in the past in getting enough funds to do the job of range improvements that we need. This is one of the things they always hold up to us, both in the Bureau of the Budget and the House Appropriations Committee.

Well, look at the grazing fee, how can we justify spending money, it is kind of a chicken-and-egg proposition. They now say, well, so much money --there have been increases in the amount of money that have gone into range improvement in the last four or five years, a considerable amount; and this is in part the reason for some of this pressure that has developed; furthermore, the fact that a portion of the increase is earmarked to go back on the land is certainly assurance that, in answer to your question, for the portion, at least, of the increase that now comes out of the grazing fee. In other words, that would go up, it would go up proportionately, I am sure.

COUNCIL MEMBER: As to the amount that goes back to range improvements, here again, I do not think that Congress, if they are objecting to it, is looking at all the facts of the case.

The facts go back to range improvement, and this does not benefit just the people grazing the land. It affects watershed, recreation, game management. So that's a misconception, and I think we sure have to get that across.

DIRECTOR STODDARD: This is why we were glad to get this Multiple Use Act, and we are hoping that as a result of this new maximum-area type of approach to government program planning, that we can get a fair distribution of costs, and to show the benefits that are derived and, from, say in our case, of administration of public land. The general feeling is that, and we have not arrived at the stage of being able to say precisely what portion of the total value of benefits that are derived from public land are ascribed to this or that use.

I hope we can get, within a couple of years, a more spientific approach so we can say this is related production of this particular part of a resource, and they all add up to such-and-such public values that are derived. Then we will have something that we can pretty well generally agree on. We are not that far along. I do see hope for a realization all the way along, though.

COUNCIL MEMBER BOWLER: The issue of this meeting poses, I am sure, a very difficult question, and I am sure that I am not wise enough to have good answers. But I am sure that the lode star of decisions need to be made in the true public interest.

Now, as the single recreational representative on the Council, I perhaps technically represent a pretty large segment of the people who actually own this BLM land that we are talking about. I can not refrain from perhaps expressing that viewpoint that concerns the public interest.

It is most encouraging to meet and to hear the likes of Dr. Fulcher, who seems to approach this thing from a scientific point of view and comes forth with some very important figures. I think that they deserve careful consideration.

When we weigh these things in the light of true public interest, we have to recognize the economy of a changed social system over which we operated when the laws now governing this public land became first effective.

Now, these BLM lands have a very high quality from a recreational standpoint, and I would be the first to confess that there is a high degree of incompatibility between the livestock growing and the recreational use. But I think that I should note that so far as the people that I generally represent, they have perhaps a feeling that it hasn't been

been fair and in the true public interest. They have a feeling that there has been some special consideration, shall we say, shown for the advantage of the livestock grazing.

We recognize that the livestock industry is a very important consideration to the western economy. I lived all my life in Idaho, and know about that. But we are advancing into a new age and the people are a fact. There are a lot that have discovered an interest in the multiple use idea of the public land, and I am sure that a great deal of compatibility still is in existence. But I doubt if it is a public obligation to sustain an operation, whether it be a livestock or anything else, that can not operate economically at a profit within the economic rules in which they presently live.

Now, in Idaho, I do not have the Federal figures, but I am sure there are persons here that perhaps do, our recreational industry is \$160 million annually, and Idaho is a small State. But that is number two to the agricultural industry in all of Idaho's economic operations, and it is growing fast.

I think that modern society must be faced, and I am gratified with the approach that our administration has taken. I appreciate this directive of the Bureau of the Budget may be rather difficult to implement, but I want to commend the staff of the BLM and the approach I see being made here from our standpoint. When I think that it looks like you are right, it is time to go ahead.

Now, we have a lot of experience with studies designed to kill, and I am not accusing the opposition here, or those who say we should not do anything without a study. I think this directive of the Bureau of the Budget and the current administration is quite a real thing in the eyes of the administrative process here. I do not think it is going to be easy to just say, well, this thing requires more study.

The staff here today indicates that quite a bit of study has been made, and it is the recreationalists viewpoint that, if a judgment needs to be made, we better proceed orderly, and not just say, well, we just must go into a stage of study, and if the figures can not be justified, why, sure, reconciliation of the differences as shown by Mr. Clyde in his analysis was excellent.

I am glad to have this opportunity to make the expression from our standpoint in my representative capacity on this very important issue here pending. I am not saying I know the answer. But I think there are men that do, and I am glad to see the approach being made.

CHAIRMAN HUGHES: Could I ask a question? How much of this \$160 million goes to the Federal government?

COUNCIL MEMBER BOWLER: I don't know. It is \$160 million, and that is the figure of our Department of Development and Commerce in Idaho, and it is based upon these sort of statistical calculations which give the basic amount in general economy.

I imagine that the usual tax picture takes out the ordinary cut, but that's the round figure.

CHAIRMAN HUGHES: None of it, however, is paid direct to the government for use of the public land.

COUNCIL MEMBER BOWLER: I would think so.

COUNCIL MEMBER LeSOURD: We pay a nice percentage of our gross, and in our ski area to the Forest Service, and I imagine they do in Idaho, also.

CHAIRMAN HUGHES: That's what I was trying to get at. They hunt on the public domain free of charge, I know.

COUNCIL MEMBER: We might consider that these people buy hunting and fishing equipment of a pretty sizable amount, and these taxes do go back to the Federal government, and it is returned to the State on a 50/50--I mean, the State has to put up the same amount back, and it is for the kind of improvements that are being made on the grazing lands, water range, and things like that.

CHAIRMAN HUGHES: Individually, you don't pay the Federal government, do you?

DIRECTOR STODDARD: There is a land water conservation fund where there are requirements for fees. Now, on these recreational areas, the recreationalists are in the process now of being billed for their use of our service.

COUNCIL MEMBER: The Dingle-Johnson and Pittman-Robinson Acts are excise taxes that each individual pays to the Federal government.

CHAIRMAN HUGHES: We pay plenty of taxes. The statement was made that, by the speaker before you--pardon me for not remembering names--that the users should pay a reasonable fee to the Federal government for their use.

COUNCIL MEMBER LAYTON: I think I can clarify that for you. The Dingle-Johnson bill will not have a great effect. But we do have all the Federal

taxes on sporting arms and ammunition that comes back to the State, and it is matched by the State on a 25/75 percent. That money is all sent back, on the Federal ranges. But here is what the results of it are. It is range improvement work. It is principally to take up a part of the slack of the competition of wildlife with the domestic livestock.

Now, that may not be 100 percent true, because a lot of the range development where you increase the carrying capacity for game and animals is increased, but I think the point is just made in an effort to--and for the benefit of the livestock men.

Now, in Arizona, tourism is ranked now as our second largest industry--second only to manufacturing. Agriculture comes in third. That's use of the public land. That use of the public land is worth considerable, and that use of the public land, as it grows, becomes a greater expense with the livestock industry and certainly would be some justification for the livestock operator for a lower fee.

I am making the statement--you understand I don't know what this grazing fee should be. I am not that smart. I don't have the information to pass on it. That's why I brought up what I did this morning, that I think not as a matter of killing something, but as a matter of gathering basic information so that when this Council does something it at least thinks it knows what it is doing is right, that some additional study does need to be made.

COUNCIL MEMBER HOSKINS: I wanted to point out that the recreationalist is buying that \$7 stamp now for the use of a great number of areas on public land. This includes Forest Service land, BLM land, and so forth. This is a factor that should not be overlooked

CHAIRMAN HUGHES: Let's clear that. Is there a stamp required to go on Forest land?

COUNCIL MEMBER: Only to camps at designated areas.

COUNCIL MEMBER: In answer to your question, Mr. Chairman, I think it would help for us to consider first three lines on this bulletin we received here, "where a service or privilege provides special benefits to an identifiable recipient above and beyond those which accrue to the public at large, a charge should be imposed to recover the full cost to the Federal government of rendering that service, including the cost of collection and administration."

The livestock people and almost all the other users, I think, are conservationists in the truest sense of the word. But most of them indulge in

recreational activities, too, on the public land which they lease for grazing. But they do not pay more than I do for fishing or hunting or picnicking on this Federal land. Or in other words, should we add a cost for recreations to these commercial users, too? Does that answer you, gentlemen?

COUNCIL MEMBER SWALLOW: I would like to ask Mr. Bowler a question. Before I do, I would like to make the following statement. I was happy to hear Mr. Bowler say that the livestock use and recreation was compatible, and I feel that recreation should be developed to the fullest need of the area for the nation, and to the maximum, because I, too, feel that it is compatible.

But I want to ask Mr. Bowler a question. Could anyone spending money for recreation spend \$10 without that \$10 first having been--I mean, take a general premises, rather than a localized condition--whether it is \$10 or \$100 or up, could that have been spent unless that dollar or \$10 or \$100 was first developed and produced as new wealth in a basic industry or a subsidiary of a basic industry such as your agriculture, your minerals, or wherever it is derived from?

COUNCIL MEMBER BOWLER: Mr. Swallow, I would answer that in this way--and I agree with you, that first there has to be people to enjoy the recreation--they have to have an economic base from which to do it. They call us fish folks sometimes, or fishheads, or wildlifers, but nevertheless we are your neighbors, and we are the grocers and druggists and even the farmers, and all the people that make up the economy that like to get upon these lands. It is true that the recreation itself, while there is a big economy--and I think this will in part answer Judge Hughes' question that he posed and I did not handle it very well at the outset--this economy we talk about is the same kind of economy that develops the economy of the community. The \$160 million is a general condition on the over-all picture. We are all in this boat together, and the end, yes, has to come from a source of economy. You don't go out in a district deer hunting and make \$10. It has to come from an economy that is locally based or the money is not there to do it.

It is a big form of exchange. The only point I make, one does not necessarily need to include the other, but we have a common base of a great resource here to work and preserve these public lands more fruitfully and for multiple and beneficial uses.

COUNCIL MEMBER: I am on this Council as a wildlife man, and as a wildlife man I am very much interested in the livestock industry, because I am well aware of the fact in my desert country we have far more game today than we could possibly have without the livestock industry.

Consequently, representing wildlife, I put a big value on the industry. But this is the point that I wanted to make. We are talking about a fair return that comes from the Bureau of the Budget. Bruce Anderson talked about our government being consistent in being inconsistent. I am wondering if maybe a point can't be made that--what I am trying to say, with foreign aid we build the dams in Mexico, put new land in production to produce cotton, then in my area where we depend on cotton for a living we cut our cotton allotment in order to make room then for the Mexican cotton on the world market.

Where is the fair return? I can't find it.

COUNCIL MEMBER STILES: Bruce Anderson raised the question a little while ago, the income on grazing under BLM land. The figure was given as \$4,600,000 as the revenue derived from grazing. Another figure given was \$16 million for administrative expenses. Now, these administrative expenses, they come from the general tax rolls, or what? I mean, I know there is another income from mining and from oils and gas and a few others, but do those other sources contribute to the rest of this to make up this \$16 million from \$4 million?

DIRECTOR STODDARD: Well, some of them do and some of them don't. For these user fees there is almost a different law and a different system of allocation for mineral and land revenue. About half of it goes into the reclamation fund, another portion is returned to the State, and the rest to the Federal Treasury.

Then, from the timber, this allocation is the same, except in western Oregon. About half of it goes to the local government, and the other half either goes for forest management or back into the treasury. You have a different formula in every case. But generally the revenue that we take in far exceeds the actual cost of administration.

Of course, offshore oil is the biggest, and it does not come into consideration here particularly. Each one of these has a different kind of tie-in. We could get the information for you, but it is a little late to do that. There is a sheet which would show how these are allocated, the amount that we put into what we call our soil and water--or what we get from our soil and water appropriation as directly appropriated from the Congress--by the Congress from the tax revenues.

In addition to that, approximately million and a half is by revenue from the grazing fees, which also goes into range improvement. We get about four or five for range administration, and these are generally tied with the management of the public lands.

Now, the \$16 million and the million and a half are essentially capital investment items. They are not current annual items. They are going into range improvements, stock water, wildlife habitat, into revegetation, the Vale project type of thing in Oregon where we have a frail land situation, where we have a considerable amount of erosion taking place. We got an additional amount this year where we can get into some of this rehabilitation. They should not be charged off annually, except that we foresee a need for some years ahead.

Actually, if the Federal budget were set up like a private corporation, these would be capitalized items which would be depreciated over a period of time. Likewise, many of the revenues are depletions of capital--I mean the minerals, oil and gas, over-mature timber which you don't grow back, you don't need. These are essentially capital depletions, and if they go, part of them go into the Federal Treasury for regular annual appropriations. If it was corporation accounting it would be set up as a depletion fund and reinvested. We consider part of this soil and watershed money as a reinvestment of this.

CHAIRMAN HUGHES: To get back to the issue at hand, our time is limited, and I assume that you wanted each one to express his position on the problem that is right before us at the present time, and I would like to do that, so that there will be no question about how I feel about it at the present time, the increase in our grazing fee. I hope I don't oversimplify it, but I would like to refer back to my own Bureau of the Budget.

She comes to me and asks me, she says, "We don't buy it because we should keep up with the Joneses. We do it on a sound basis of what we can produce." I know what the grazing fee should be. It should be every cent that we can, as users, produce for this fee. It should be no more or less.

It seems to me we are rushed in trying to make the decision, and if we have to make this decision in this hurry, I am going to have to vote in favor of no grazing fee raise. I would favor a sound program to arrive at grazing fees, to put together all the information we have from these studies and our background, and to possibly go into a variable fee.

But if we are rushed into this, I would have to go for no grazing fee raise.

COUNCIL MEMBER LeSOURD: I probably represent the general public as much as anyone here, because I am the only representative from the State of Washington representing all users. Yet, I would not expect the cattlemen here to simply go along with this proposal as such without a battle. If they did, I think they would be less than human. I would be disappointed in them.

I have had some experience in dealing with the Federal government on land use fees because I am involved in a large ski area. We pay a percentage of our gross, and also every time we build a hotel we negotiate with them. They charge us a land rental fee every month for each room in the hotel, and things of that sort. In effect, you are bargaining here between landlord and tenant. I don't think you are bargaining well by just saying, "you can't do this to me."

I think you bargain well by doing what Mr. Clyde suggested and setting up the differences, trying to come counter to factual matters of price, taxes, etc. Why is there a difference, and give the BLM, which in effect is representing you in this bargaining, if I hear this correctly, some ammunition to go back, not to go back with just "we can't do this."

COUNCIL MEMBER: May I ask Mr. LeSourd a question? You negotiate with the Forest Service, don't you?

COUNCIL MEMBER LeSOURD: Right.

COUNCIL MEMBER: It has nothing to do with the BLM.

COUNCIL MEMBER DONLIN: Mr. Chairman, now is the time to express a firm opinion to the Bureau regarding this issue.

I would like to point out that in the State of Wyoming, for instance, as he indicates, he has a Bureau of the Budget. Mine happens to be the Production and Credit in that State, and for the first time in history the amount or the percentage has been creeping up and up and up in the State of Wyoming. Less than four percent of the chattel mortgages in the Production Credit Association in the State of Wyoming do not have a real estate mortgage on their property, which I think is quite a phenomenal percentage. In fact, I believe that there are only three outfits in the State that do not have real estate mortgages on their property.

I believe that is indicative of the livestock economy condition in the State of Wyoming at this time, and I offer it along those lines.

I would like to make the observation--I asked this morning, I don't feel that I ever got the answer, I had hoped that through the day it might have been forthcoming from others. But I would like to divide this question, as Mr. Clyde so ably did, and I would hope that you might see fit, in the copy of the minutes, to include in the minutes Mr. Clyde's statement in its entirety, because I would be one who would much like to have access to his statement.

I would like to know if the BLM, without asking you for any promise of any kind--I understand that you probably are not at liberty to make any, but my people are going to ask me when I go back whether in this discussion it had ever been mentioned that the appetite might be satiated, even for a temporary period of time, in these fee increases, if, in fact, they are increased. Does anyone see an end to this? How much is enough?

What I realize is what Mr. Clyde implied, also, that this is not probably a long-term situation that must be studied. And this will probably be one of the answers that will precipitate from sufficient study. How much is enough? What is a fair return on this investment? Is it so much that it might change these three people that don't have a real estate mortgage on their property down to one? But we would like to know, is there an end in sight? Do you see anything other than asking? Is there any commitment you might possibly make to us so we could go home and tell our people, "you can stabilize your operation for two or three, five years, ten years." We need to know this. I think this must be obvious to you.

In closing, I would like to state that I think one of Dr. Fulcher's statements which was most germane to the discussion, when he pointed to the map and said, "if you will notice, Wyoming is totally in the red." I certainly agree with that.

DIRECTOR STODDARD: I don't know whether I can give you any assurance, or whether anybody can, about the long look ahead. All I can do is reason it out something like this.

Once we get over the hurdle, whatever the decision is made by topside, there won't be any further decisions made on this until the study is in. We are absolutely sure of this, because in the first place, this study is slated for 1968, and I think that, barring an act of God, an act of Congress, or something like that, we could anticipate that this would take care of all the immediate pressures.

However, I think the big issue of just what level user fees should be, that the Federal government charges will have to be faced and faced in the Public Land Law Review Commission. I have a feeling that the studies that are being made by the Executive Branch are going to be brought into the Public Land Law Review Commission, and this will be a total review of what should the market price be in relation to what kind of enterprises, what kind of local impact, what are all these factors we have been talking about, and how do they add up into a reasonable level that the government should charge, taking into account all the things that are necessary to come to a decision.

To guess how that would come out would be premature, but I think it would be more than a reasonable statement to say that once this immediate hurdle is passed, there won't be anything until '67 or '68. Somebody may come along and make a liar out of me, but I have watched government for a long time. I don't think the wheels grind that fast.

DR. FULCHER: In line with that, I would like to say that the Forest Service has had a base since '31, and it hasn't changed since that time, has it? Am I correct in saying that? And here is a sign of quite a bit of stability. That's 34 years they have stayed on that same basis.

The problem of BLM is we have been the whipping boys because we have been the lowest man on the totem pole. Get your fee up there where it belongs. When we get a comparable basis with the Forest Service and the Defense Department so that we set here in equal status with these people, I think we will have a long period of stability.

COUNCIL MEMBER: Secretary Anderson stated here in the beginning that they were desirous of having cost information on BLM land as compared to Forest Service. In Arizona, as has been stated, it is a dry area. In the area I particularly represent, in our operation there is not an animal or big game or any type of life that can exist without using the water that we have developed up to the present time, except in periods of rain, and there is not much rain.

Now, I just made a few quick figures here, and I think that the fee that we are paying, together with the other costs that we have to meet in order to harvest this feed, are comparable to what it costs to graze the Forest land.

Now, it costs us at least double. We, in our operation, we have over 200 reservoirs we are maintaining, about 25 wells, and that's constant. We have a man with a Cat working to clean out these reservoirs and the ditches, and we are not attempting to construct any more. We are attempting to maintain the ones we have. So that cost is at least double to us.

I don't know what the grazing fee is, but it is a necessary cost in order for us to harvest this feed. I think that's part of our cost of being able to use this Federal land. I think part of it is, what did it cost us to make the conditions favorable so we can use this land?

COUNCIL MEMBER SWALLOW: I wish to state Nevada's position. Our position is that we want to be most cooperative in analyzing this whole situation. But in view of the information that has been available to us, in light of the information that has been brought up here, we take the position that we cannot agree to any increase in fees.

We are somewhat confused with the issue advanced that you are under pressure from the directors of the Federal budget. We cannot understand why the government on the one hand would curb prices in industry, particularly the aluminum industry, and on the other hand an industry that obviously cannot stand an increase in costs, in almost an arbitrary way, they say we are going to raise fees to 43 cents.

I am wondering if these head boys in the Bureau of the Budget, when they die, should not make arrangements to have their bodies sent to a medical school to determine how a heart so cold can even beat.

It is inconceivable that such ideas can be advanced in this nation today when we--and you speak about the good we are representing, the general good for the public--I think we should go a step further. I think we also want to look at that from the same basis, but I think what is good for the general public may also be good for the livestock industry and all industry in general in the West. Obviously, we have to take the position that we are very much opposed to any increase in grazing fees at this time.

CHAIRMAN HUGHES: Gentlemen, we had hoped to adjourn soon now. If there is any other member of the Council that wants to state his position and has not stated it, we are certainly willing to take the time for that.

COUNCIL MEMBER BOLLE: I may be as far removed from your problems as anyone here, and maybe I can not say much, but I will try to express a few things I have in mind. I think there is a similarity between the timber industry and the livestock industry or agriculture. Both of them are very competitive. They are in an area where the producers have no control over their final price. Timber has been selling at a very competitive price, and the industry cannot influence that selling price. They can not say it costs so much to produce and I have to sell it for so much. They just sell what the market will give.

The agriculture industry is in the same boat. You never know what you are going to get for your product. One of our main concerns, of course, is to keep our costs down. I think this is the biggest problem that you are dealing with here, that you are being caught in a price, cost-price squeeze. Your costs are going up and you can not push your prices up accordingly. This is always tough.

I think, though, that it leads to certain things that you have to recognize as trends.

There was some discussion earlier of the difficulties, the fact that certain ranchers are going out of business. This is a trend, I think it is part of this cost-price squeeze that is not really necessarily

related to this particular subject, and a certain amount of this is going on. There are certain ranchers going out of business. Either they are being bought up by a neighbor or being bought up by somebody who has got a lot of money.

The number of ranches as a whole is getting less and less. Also, from what figures I have seen or heard about, that the average size ranch, as an economic unit, keeps getting bigger, isn't that right? Around two, three, four hundred cattle. Now this, there is a certain amount of people who have to keep going out of business to permit this kind of thing to go on, to permit the ranches to remain economic.

Now, I certainly sympathize with you in your concern over this. I have been in the ranching business a little bit at one time. I think I appreciate some of the problems.

I haven't any more to offer on that line. I would like to emphasize one thing that came up, and that is the fact that there is apparently considerable improvement possible in the ranges in the West. I don't know what the figures are; I have seen figures as much as doubled. But there is an opportunity to improve carrying capacities.

But the problem here of these competing uses of land, there is the implication--I am just repeating what I heard--I don't take any position here--that the rancher, the livestock man, is not really paying his full share of these fees for the use of these lands. To the extent this is true, it may have some affect on your future tenure of these lands.

This is an issue you might not have discussed, but it seems to me this is an important thing in the future.

COUNCIL MEMBER ROSTVOLD: I would like to just clarify a little bit of the economics that has been discussed at this platform. We have to discuss this issue within the framework of the multiple use concept, and I think the one little bit of clarification that I would like to have in the record is that in the case of livestock we are speaking of direct commercial use of the public land--and I will use the term very apologetically--I mean it is commercial use which is motivated by the generation of a return or a profit. I realize that the industry has been in very severe economic straits; because of foreign imports and general cost-price relationships. But we are not going to win any ground by arguing livestock against recreation, because livestock is commercial in its application. It is legitimate to argue in terms of an economic price, because the market place yields this.

Recreation is quite different. Here we are dealing with people--the general interest--and traditionally we don't attempt to assign very direct price to this use.

I think, as our deliberations continue, we should at least keep this distinction in mind.

I would like to add a footnote, though. Many years ago I was introduced to this National Council, and by a happy coincidence the question of grazing fees was the issue of the moment. Times haven't changed. I must say, this has been a much more interesting seminar than I get out of graduate students. But I heard the same arguments today that I heard four years ago from the industry, and I would defend and protect the industry's right to present its arguments.

You people have an economic stake in this, but this is the new era. People and industry in the West have to be complimented. We have to look at this difference. I personally would not feel that the lay is really in the books. I mean, you people have lived with this grazing fee question from time immemorial, and I would like to see the Council take a pretty positive stand. We don't have to form a committee and diffuse the responsibility. The issue is pretty clear.

The industry has the facts. The facts are represented in little things called balance sheets and income and expense statements. We don't have to beyond that where commercial application is involved. But, I would say this, as representing urban interests. The democratic process works very well. The big difference between the discussion today and four years ago is that this Council is looking, in my book, more objectively at the issue. We are hearing many more presentations on the other side than were heard four years ago, and it can only end with a healthy concensus.

COUNCIL MEMBER: I like this gentleman's statement over here in regard to the rehabilitation of these western ranges. I think there should be more done for these ranges. I think this issue--I run on both Forest and BLM land equally on both, and I think as far as fees are concerned, I would sooner pay the fee that we are paying on Forest land. I think it is much more equal than the 30 cents on BLM.

The money would have to be in water. The rehabilitation work we have been doing on BLM land is general, I think, in the main.

So, I think that we are looking very close to the same fee. I don't think we are very far apart when we take the amount of forage. So I really believe that we are closer possibly than any of us think. I

am sure anxious to see more study. I would like to see our local advisory boards vote to see what direction we should go. I don't think that we should make a statement, or make a decision without their help. But I do feel that we are a lot closer, and a lot closer in a lot of things, when it comes down to it.

COUNCIL MEMBER ETCHART: I want to add a little bit. I think it may have been said several times, and that is that these various fees that have been set up, used as comparisons, actually are not comparable.

I would like to use a little illustration of something that exists in Montana. Whether this is true across the board, I don't know. To give you an example, in my area of northern Montana, we have a winter period, feeding period of about four months. The rule of thumb is that a cow will eat a ton and a quarter of hay over that period. This would be the feed cost to winter a cow through the winter, based on the average cost of hay in our area of \$25 a ton, we come up with a hay cost of \$31.25.

Now, then, assuming that this same cow runs on BLM range for the other eight months, we come up with an additional fee cost of \$2.40, making a total feed cost of \$33.65 annually.

Now, roughly 200 miles south of our country, on the Crow Indian Reservation, the cost of AUM of grass on the Crow is \$1.25 a month, as I understand it. The climate down there is such, number one--let me backtrack a little bit. The Indian leases are written for a 12-month period. No base property is required on the part of the lessee. The climate is such that these animals graze the year around. I come up with a \$1.25 a month for 12 months, for \$15. To that, supplemental feeding is in this case about 60 days. So I find that the operations on the Crow reservation, this man is getting by for \$22.20 total feed cost, whereas at our area we are \$31.25, roughly 50 percent higher, in spite of the fact that he is paying a fee 4 times higher.

I bring this up to point out that these fees are really not comparable. The same thing is true, of course, with the BLM and the Forest Service in Montana on the public domain ranges.

I think the average calf weight would run in the neighborhood of 350 pounds. I believe that on the Forest Service these averages would run around 420 or 425 pounds. Likewise, the average lambs produced on BLM ranges would probably be in the neighborhood of 70 pounds. The lambs raised on Forest land, around 90 pounds. So we have a difference in productivity, the productivity of the Forest grass being roughly 20 to 25 percent higher.

Another factor that enters this, of course, is that the users of BLM ranges contract more out of pocket to the development of water and maintenance, in the building and maintenance of improvements, which is another factor that fits into the picture. And based on these observations, my feeling is now that the BLM fee and the Forest fee, for the volume received, are equal and are comparable at the present time.

I can't speak for all of the users in Montana, because we haven't met yet. But based on my own experience and my own tax return, I would say that from the standpoint of these people, a fee raise would not be in line.

COUNCIL MEMBER GERBER: I want to speak a little about this. In Oregon we have probably received our fair share, maybe a little more, of money to reseed ranges. We appreciate this, and we think these ranges are of great benefit to us.

However, to arrive at your fee in this basis, that may be proper and equitable for land that has not received any treatment, some base will have to be established. But from that base, I think you may go up or you may go down, according to whether your land is productive or whether it isn't. Some day we are going to have to base your fee on the density of the forage and the availability of the water within that area. On these particular lands like I speak of in my State that have been seeded, we are willing to pay more because they are worth money. It is a matter of economics. That is our position in Oregon.

COUNCIL MEMBER DOYLE: I am a wildlife representative. There are three of us here at this meeting, and we hail from that purple section on the map on the right up there between California and Nevada. I rather think that it is overrated.

Going on variable fee--the variable fee basis--the Forest Service land may be marked purple by whoever was using the crayon, but the public lands are probably not that high in grazing value.

Speaking for the permittees, I am sure they will be reasonable people to meet a fee increase the way it has been presented, because it has been presented fairly to the permittees on a fair market value. But we checked considerably with permittees before leaving there to come here, and most of them feel that the present fee, with the variable aspects it has in relation to the price, is quite adequate at the present time.

I am sure our people want to be reasonable people about the entire thing. They will go along with this group, I am sure.

COUNCIL MEMBER: If we raise it 40 percent on our fees, we would kind of like to see the Budget Bureau raise the investment on this 40 percent.

COUNCIL MEMBER CHRISTENSEN: I come from the area that Murray Doyle was talking about. I don't think that you have given this enough publicity to our people. Sure, I think our people might go along with this fee increase, but my people don't expect a fee increase. We just got through with this 30 cent business, and now we are coming back to another 13 cents. I don't think at this time that we should, at least until we go back and talk to our people, we should increase the fee.

Whereupon the Chairman recessed the Council at 3:30 p.m. to reconvene in Executive Session at 3:45 p.m.

Executive Session: Summary of Actions.

The Council reconvened in executive session at 3:45 p.m.

At the invitation of the Chairman, William Helming, an economist for the American National Cattlemen's Association, reported to the council on an analysis of data and grazing fees and permitted use of fee range land as it concerns the range livestock industry of the Western states. Mr. Helming's report is included as Appendix A to these proceedings.

The Council, after considerable discussion of the approach to be taken, then voted to adopt the following proposition:

"We proceed to vote on the question (of grazing fees for the fee year beginning March 1, 1966) submitted to us by the Secretary."

Results of voting by written ballot were: 32 affirmative
 4 negative
 4 abstentions

The Council next considered the following motion:

"That the National Advisory Board Council go on record as opposing any fee formula change at this time and until sound economic justification be developed."

This motion was tabled by an approximate 2/3 standing vote. Exact count was not made. The Chairman announced the motion to table was adopted.

The Council next adopted a motion to:

"Form a committee to draft a resolution."

After standing vote, the Chairman declared the motion adopted unanimously.

The Chairman selected three members to draft the resolution, which was:

"WHEREAS, all factors brought out in the discussion at this meeting indicate on a value basis the BLM grazing fees are fully comparable to Forest Service grazing fees,

"BE IT RESOLVED, that the National Advisory Board Council opposes for 1966 any increase in the 1965 percentage as established by the Secretary based on the existing fee formula."

ADDENDUM
to the
PROCEEDINGS
of the
NATIONAL ADVISORY BOARD COUNCIL
Special Meeting
Denver, Colorado
November 18, 1965

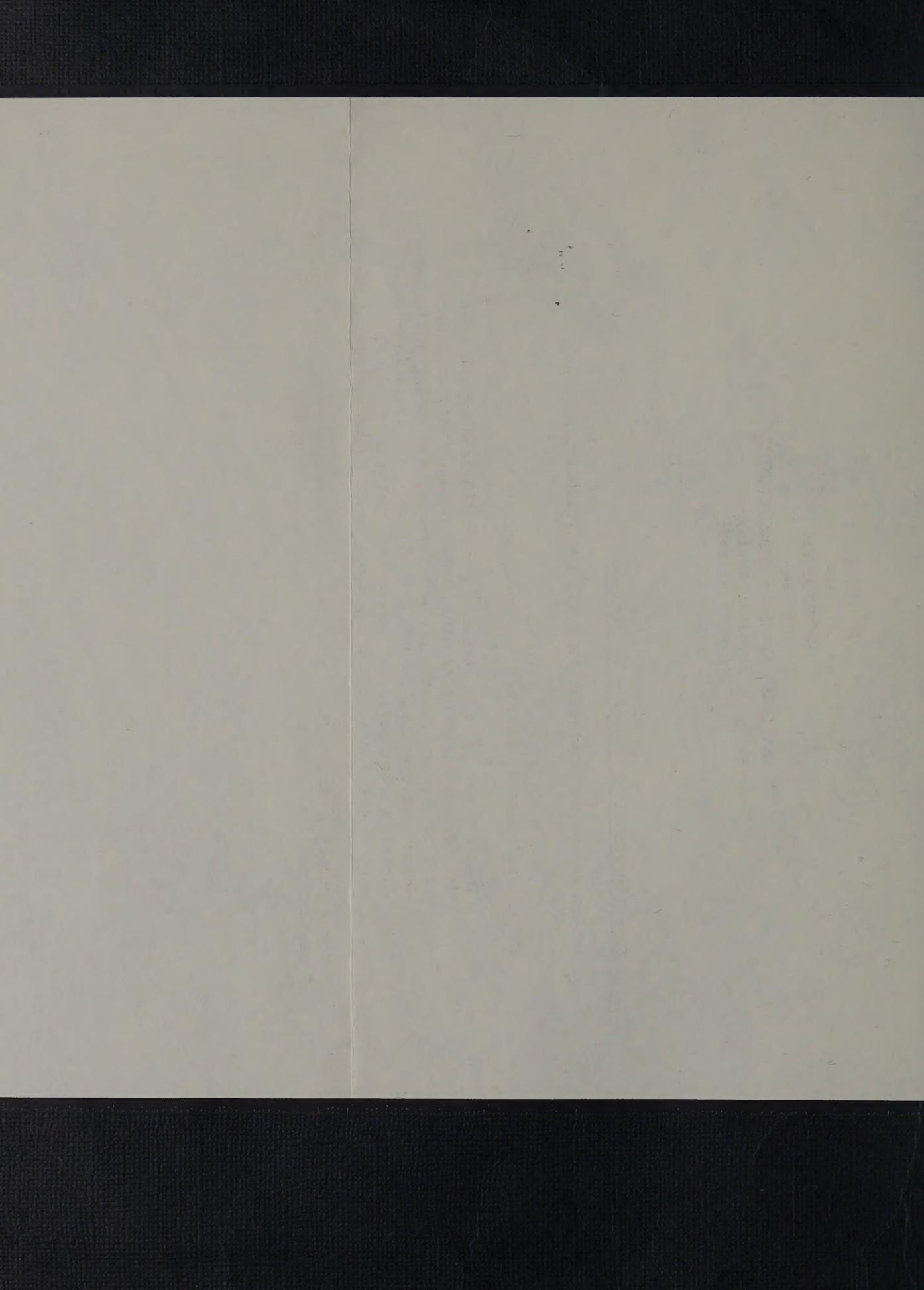
Executive Session: Summary of Actions

Insert as second paragraph, Page 71, the following:

The Council then adopted the following resolution:

"That a study be made whereby fees on BLM lands which have not been enhanced by seeding, water development, or otherwise be computed on the present formula, and that grazing lands which have received treatment be listed on a basis in direct proportion to the density of the grass produced with the availability of the stock water to be considered."

After standing vote, with a count of 20 affirmative, 3 negative, and 17 abstentions, the Chairman declared the motion adopted.



By written ballot, this resolution was adopted: 26 affirmative
11 negative
3 absentions

After a proposal by the Chairman to carry the meeting over to the next morning, on which there was no discussion or action, and an invitation by Council member Harris to hold the next meeting in Alaska, the Chairman declared the meeting adjourned at 5:30 p.m.

I certify that I attended the proceedings of the National Advisory Board Council herein reported and that these minutes are an accurate account of the matters discussed and the conclusions reached. The verbatim transcript of the proceedings of this meeting is of record in this office where it may be examined by interested parties.

December 3, 1965
Date

Charles H. Stoddard

Charles H. Stoddard, Co-chairman
Director, Bureau of Land Management
Washington, D. C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
Washington, D. C. 20240

October 15, 1965

Memorandum

To: Members - National Advisory Board Council
From: Secretary of the Interior
Subject: Call to Meeting - National Advisory Board Council

In consideration of the establishment of grazing fees for the fee year beginning March 1, 1966, I deem it advisable to place this matter before the National Advisory Board Council for its consideration and recommendations. Therefore, I request your attendance at a meeting of the Council called for this purpose on November 18, 1965, in Denver, Colorado.

The Director, Bureau of Land Management, will furnish further details as plans are developed.

/s/ Stewart Udall

The meeting of the National Advisory Board Council at Denver, Colorado, on November 18, 1965, was attended by the following:

National Advisory Board Council Members - 1965

Alaska

Arthur J. Harris, state-wide

Arizona

Lee J. Esplin, cattle
Vard H. Heaton, sheep
Max T. Layton, wildlife
George Ricca, county government

California

Brunel Christensen, cattle
John Laxague, sheep
Murray Doyle, wildlife
Gerhard N. Rostvold, urban-suburban development

Colorado

Leonard Horn, cattle
Dan H. Hughes, sheep (Chairman)
Edwin S. Hofmann, wildlife
Bruce Anderson, oil and gas

Idaho

Milton T. Jones, cattle
Ray Lincoln, sheep
Doyal Stiles, wildlife
Bruce Bowler, outdoor recreation

Montana

Gene J. Etchart, cattle
Erwin Christensen (alt), sheep
Eldon Smith, wildlife
Arnold Bolle, forestry

Nevada

Fred Strosnider, cattle
George N. Swallow, sheep
Leonard Hoskins, wildlife
W. Howard Gray, mining

New Mexico

Alva D. Brownfield, cattle (Vice Chairman)
Floyd W. Lee, sheep
F. Louis Hernandez, wildlife

Oregon ~~Bob Johnson, Oregon Ranch Association, and the cattle, sheep, James S. Weber, sheep, Theodore R. Conn, wildlife, Lloyd Rea, county government~~

Utah ~~John C. Gardner, cattle, M. V. Hatch, sheep, Othel L. Pay, wildlife, Edward W. Clyde, petroleum~~

Washington ~~Francis A. LeSourd, state-wide~~

Wyoming ~~Robert V. Thompson, cattle, Joseph E. Donlin, sheep, James A. Whaley, soil and conservation~~

Department of the Interior

Office of the Secretary ~~Harry R. Anderson, Assistant Secretary for Public Land Management~~

Office of the Solicitor ~~Joseph H. Tudor, Assistant Solicitor, Branch of Lands~~

Bureau of Land Management ~~Charles H. Stoddard, Director (Co-chairman), Eugene V. Zumwalt, Assistant Director, Resource Management, John Crow, Assistant Director, Lands and Minerals, Glen Fulcher, Chief, Range Management, Dan Saults, Information Officer and others of the Bureau's staff, including all State Directors.~~

U. S. Forest Service ~~George L. Burnett, Denver~~

Representing private organizations ~~C. W. McMillan, American National Cattlemen's Association, William Helming, American National Cattlemen's Association, Phillip Foss, Colorado State University, A. J. Christiansen, Colorado Wildlife Federation, C. R. Batten, American Forest Product Industries~~

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Land Management
Washington, D. C. 20240

NATIONAL ADVISORY BOARD COUNCIL

Denver, Colorado
November 18, 1965

9:00 - 9:15	Opening and Welcome	Dan H. Hughes, Chairman National Advisory Board
9:15 - 9:45	BLM Report	Charles H. Stoddard, Director, Bureau of Land Management
9:45 - 10:00	User Fees	Harry R. Anderson, Assistant Secretary, Department of Interior
10:00 - 10:15	Break	
10:15 - 12:00	Grazing Fees-Studies & Proposals	BLM Staff
12:00 - 1:30	Lunch	
1:30 - 5:00	Discussion and Recommendations	Council
6:30	Social Hour	
7:00	Dinner	Farrington R. Carpenter, guest speaker

All sessions to be held at Heart O'Denver Motor Hotel

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
Washington, D. C. 20240

November 8, 1965

Memorandum

To: Director - Bureau of Land Management

From: Secretary of the Interior

Subject: Designation of Co-chairman
National Advisory Board Council

Pursuant to the regulations set forth in 43 CFR 4114.3-1, the Director, Bureau of Land Management, is designated as the co-chairman of the National Advisory Board Council for its special meeting to be held in Denver, Colorado, on November 18, 1965.

/s/ Stewart Udall

APPENDIX A

ANALYSIS OF DATA ON GRAZING FEES AND PERMITTED USE OF FEE RANGE LAND AS IT CONCERN'S THE RANGE LIVESTOCK INDUSTRY OF THE WESTERN STATES

William Helming, Economist
American National Cattlemen's Association

Gentlemen, if I may, I would like to present our compilation or assimilation of some of the data that not only is based upon the recent ERS study on grazing fees and permitted use of fee range land, but also based upon numerous economic studies of the status of the range livestock industry of the Western States, plus my own master's thesis and other pertinent information.

I will try to make this brief and to the point, zeroing in on the status of the industry today and in the past few years.

It has been brought out here that the total investment in these livestock operations is substantial. Based on 1960 and '61 prices, the total assessed evaluation in these range livestock operations, weighted average, was approximately \$200,000. Today it is approximately \$250,000. Bear in mind, this is a weighted average.

This, of course, will range all the way from \$15,000 on a sheep ranch that has 50 to 100 animal units, to well in excess of \$1 million with a substantial number of cows, for instance, 1500 to 2000. Based upon the statistical reporting service and other information, since 1958 the current increased value of the assessed evaluation in total ranch investment has been increased at the rate of approximately 3.8 percent. However, even though the ranch and real estate values continue to increase, the ability of the ranch or farm operator to meet the financial obligations in the last eight to twelve years have not increased proportionately. In fact, many of these ranch and livestock producers have not been able to realize an economic return that came close to justifying the assessed valuation, the current assessed valuation, of their ranch and farm real estate.

Recent economic studies also indicate for the western range livestock operations, both sheep and cattle, that approximately from 75 to 80 percent of your total operating costs are fixed. This, gentlemen, means that you are dealing with a variable here of approximately 20 percent of the cost that the ranch operator or manager has some degree of control over, and there is reason to believe that this percent of fixed cost will even increase in the years to come. The present rate

A KODAK FILM

of increase into that operating cost since 1958 has been approximately 2.2 percent. I might add that the weighted average, based upon fee assessment here in the western range livestock operation, ranges from four and a half to five percent of the total operating cost. You throw in taxes there, and it comes out to be approximately 10 percent of the total operating cost per day.

Since 1952, approximately--to get just a general picture of the general agricultural economy in the United States--prices received have been substantially below prices paid, which, of course, on a parity ratio means that the value of the product produced by farms and ranches in the United States has a lesser ability to pay for those goods and services to carry on the operations of these ranches and farms. Again, based on weighted averages in the western United States, based upon 1961 and '60 prices, the net ranch income will be or was approximately \$4,360.

I need not point out this ranges considerably, too, from the substantial negative to, in some cases, a rather high. By using this particular--by the way, this is very close, as you have found, Dr. Fulcher, in your studies, and I found this to be closely akin to similar economic studies that were making the point that the ERS study was comparable to other figures; that in studies that were done on this same subject matter, using this 4360 as a basis to go by, and using the \$200,000 as a total ranch investment, and charging a 5 percent interest, which is certainly within reason, perhaps even should be higher, the returns to the operators, labor and management again in 1960 and '61, it would be approximately a minus \$5,640. The returns, or the percent of return on investment, again in this same period, was a minus .32 percent.

I used an arbitrary charge for \$5,000 for the operator, labor management, and as was brought out here today and backed by some good reasoning, that possibly we should be charging even a greater amount than \$5,000 for the operator's family and labor. But even at a \$5,000 figure, your returns are, as I quoted them, minus .32 percent.

Now, by introducing a 100 percent change in the grazing fee--by the way, this was based or predicated upon a 20 percent grazing fee assessment per AUM--in other words, by increasing it to 40 or 100 percent, the change of a reduction in ranch income would be brought down to \$4,104, using the same total ranch investment and the same procedure. Your returns to operator, labor and management would be minus \$5,896, or a minus 44 percent return on total ranch investment.

Keep in mind, please, gentlemen, that we are not speaking of one grazing area, one grazing district, or one particular state. We are speaking of the western United States in terms of the economic conditions of these range operations. This means that if grazing fees were increased under the present price-cost relationship existing in 1960, the increase would place an unwarranted and unjustifiable financial burden purely from the economic point of view and the financial status of the operations on the range livestock producer.

The ERS study and other related studies pointed out that if there was a 20 percent reduction in grazing use or permitted use of the range land, the effect would be substantially more pronounced. Instead of having a net ranch income of \$4,360 or \$4,104, it would be dropped down to approximately \$2,860, or a minus return to labor and management of \$7,140, or a return on total ranch investment of minus 1.1 percent.

We hear a lot of talk about this reasonable return. I am not sure that everyone may have a different idea as to what a reasonable return is. A lot of ~~businesses~~ consider five or six percent as a reasonable return. Assuming that we wanted to realize six percent on our total investment, again based on compilations of the data ascertained from the various states, western range livestock production units, on a calf operation, it would range from 32 to 40 cents per pound. And for steer operations it would range from 28 to 36 cents per pound in order to realize this return on investment, based upon the first 10 months of 1965, and the average weighted prices received of the statistical reporting service in the United States Department of Agriculture for all classes of range beef, cattle, cows, bulls, yearlings and so on. And for sheep and lambs, by using the present fee formula, the 1.5 times the average between these two classes of livestock, the increase in grazing fees would be approximately 39 per AUM. This is based on an average weighted price, per pound per head of 21.98. Multiplying this times 1.5 under the present formula comes out to be 33 cents, an increase of 3 cents.

Now, by taking into account the increase in ranch assets and basing this on 1964 - 1965 prices, prices received and the cost of operations that have been increased during that interim period of time, net ranch income, instead of being \$4,360 in 1960, would be, as of today, \$3,800. This would mean a return to the operator, labor and management of a minus \$8,700, as contrasted to a minus, again, of \$5,640 in 1960. Percent returns on ranch investment would be a minus 48 percent, as contrasted to a minus 32 percent in 1960.

This fee increase amounts to approximately a 10 percent--going by our present formula, 10 percent increase in grazing fees. This fee increase is, granted, nominal, yet significant. The decrease in net ranch income would be approximately \$81, or 2.1 percent. Since 1960, a 20 percent

reduction in the grazing use or permitted use of these fee range lands, again in 1965, would be very pronounced. It would amount to a net ranch income of \$1,819. Returns to the operators, labor and management, a minus of \$10,181 or 1.23 percent, which points out the advisability of this resource at a given period of time, depending on the grazing area and the conditions under which the operator is running.

This resource is necessary for the successful operation of their present operations.

Even though a 10 percent increase in grazing fee assessment would not affect the returns to production by a substantial amount, the financial burden that this act would place on the livestock procedure is considerably more pronounced than it would have been in 1960. This is largely due to the fact that since 1960 the margin of profit typically realized as a whole has been very low, and 1963 and '64, it was in many cases nil and even negative.

Cash operating capital, capital reserve, and the borrowing capacity of these same operations have been reduced to a point where many bankers and numerous financial institutions are very much concerned about the ability of these operations to compensate for the very low returns and substantial losses incurred by the ranches.

Additional costs, especially those costs which are fixed, should be avoided if at all possible. Therefore, an increase in grazing fees above that called for by the present formula is, under the present cost-price structure not justified or warranted.

The range livestock producer is being forced to make some rather substantial adjustments in their present operations, but these adjustments will require substantial commitment of capital and changes in resource use, all of which will further increase the total cost of the range livestock operation. Whether these adjustments in ranch organization are economically justified is questionable. I say questionable, because they may be or may not be.

Since the availability of the fee range land is so critical to the range livestock operations in the western states under present modes of production and practices and resource use, a substantial decrease in the permitted use would put main producers out of business.

Now, whereas a substantial increase in the grazing fee would have the effect of adding out-of-pocket costs to the total operating expenses, it will be difficult for many of these operators to absorb under the present operating conditions; there does appear to be, however, some

very sound economic justifications for both the livestock industry and also the sheep and cattle producers and the Bureau of Land Management to thoroughly examine and seriously consider the much talked about variable fee which has been in the main quite successful and economically sound for the Forest Service and their permittees for a number of years.

A variable fee assessment takes into account the tremendous dispersion and range carrying capacity, range quality and the year-to-year handling and fluctuation in the livestock market. Until a satisfactory base has been established for assessing the variable fee on the Bureau of Land Management range land, it appears to me that the present fee formula is very adequate and satisfactory.

I concur with many of the comments that were brought out this morning and this afternoon, in that the livestock people must be realistic. They are going to have to make some adjustments, as well as the Bureau of Land Management working in cooperation therewith.

I feel that a variable fee consideration is something that should be given very close attention, and that until a sound, reasonable and equitable base similar to that used by the Forest Service, taking into account the productivity and value of this particular resource, that is, the resource provided by the Bureau of Land Management typically, as contrasted by the Forest, until this base has been arrived at, I see no real economic justification for altering the present system of applying or abiding by the present formula.

and which would not be available during down time
and which could be used at the minimum times the need for sale
would be done. The reason why the Bureau's approach of
utilization and utilization exists after all of our old wells and leases
exist is because a lot of them, due to either natural or man
induced encroachment and impoundment have become useless. A
utilized property can still have value if certain minimum space has
not been encroached upon. This is not necessarily true if the
well is used and no oil existence for purposes of production need
exists but one can not tell by inspection if such cases exist
unless he has been there before. In conclusion the majority of oil
wells will be found over their lifetime to be useless. I
believe that the best approach would be to have a minimum
of land held and as little as possible be held in case of emergency
or emergency situations of getting emergency land
and little less utilization of unutilized land already in use. I
believe that a little less land, less utilization, save money, costs
less money, and less time to come back to utilize any additional
oil and prevent utilization of oil fields and wells already utilized
or utilized previously. It is better and more economical to utilize
less land and less utilization and less cost of maintaining
the wells, insuring and insuring the equipment, less on
account of oil production, equipment does not go unused so employee
costs and related cost will be lower. Costs less, more oil produced
from the wells they produce.

The major difference between utilizing and non-utilizing wells is
utilization and non-utilization. Utilization is the use of wells
with regular and continual operation, while non-utilization
is wells which are not being operated. The wells which are
non-utilized, usually do not have any kind of organization or
management attached to the wells. They are just there.

After the completion of the oil wells, and when referred to the original
operator's intentions to the wells, often times you will find
that the operator had no intention of ever operating the wells.
In other words, it was a "dry hole".

Now, as far as potential buyers to the wells, the wells with the
intention of selling and operating, whether it is a dry hole or not,
it is the intent of most of the operators to sell the wells
prior to operation commencing. Many also prefer to sell the wells before

BLM Library
Bldg. 50
Denver Federal Center
P.O. Box 25047
Denver, Colorado 80225

HD 241 .A255 1965

Proceedings : National
Advisory Board Council, Sp

BLM Library
Bldg. 50
Denver Federal Center
P.O. Box 25047
Denver, Colorado 80225

